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Final Report

A Study of Saskatchewan's Horse Racing Industry and Development of a Long Range Plan for the Industry

Conclusions and Recommended Development Plan

Prepared for
Saskatchewan Agriculture and Food
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By

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The views expressed in this report are those of the consultant and do not represent the opinions or policies of the Government of Saskatchewan, the Saskatchewan Horse Racing Commission or any other organization associated with Saskatchewan's horse racing industry.

There are two documents comprising the final report. The second is entitled "A Feasibility Study of Teletheatre Wagering in Saskatchewan".

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1.0 INTRODUCTION

This study has been prepared as a result of a number of negative economic circumstances that have been impacting on the Saskatchewan horse racing industry. At present horse racing in Saskatchewan, as an industry, is on the verge of collapse. The provincial economy, competition from other gambling products, declining purse structures, diminished race programs and internal disharmony within the industry have taken their toll.

The year 1988 represented a low point for horse racing in Saskatchewan. It was during 1988 that the track operator for Marquis Downs withdrew management services after an estimated loss of over $600,000. In the current year (1989) it was questionable if there would even be a racing program.

At present, Saskatchewan Agriculture has been assisting the industry through providing outside consulting resources to enable the industry to develop and market a race program for 1989. Although a race plan for 1989 has been developed some important questions regarding the future of the industry still need to be resolved. The Government of Saskatchewan suggested the industry apply to Saskatchewan Agriculture and Food's Agricultural Development Fund for funding a comprehensive marketing and organizational study that would analyze the industry's problems and develop a means of addressing them such as enhancing betting handle and possibly creating linkages between wagering revenues and support to Saskatchewan's health care industry.

The method to resolve these issues is to develop a long term plan for the industry. If this is not done the industry will "limp" from one year to another rather than working towards the attainment of realistic goals that would allow horse racing to function as a viable industry. A long range plan must be developed for the industry that comes to grips with the organization of the industry, the roles and responsibilities of its key stakeholders and the development of a marketable product that is capable of sustaining industry viability.

2.0 OBJECTIVES AND APPROACH

Primary Objective

The primary objective for the proposed study of Saskatchewan's horse racing industry is to develop a long term plan for the industry that will lead to a viable, self-sustaining horse racing industry in Saskatchewan. By long term the study will focus on a plan of action covering the period 1990 to 1993.

Sub-Objectives

In developing the long term plan the following sub-objectives have been identified:

1. To review the organizational structure of Saskatchewan's horse racing industry and the relationships among the Saskatchewan Horse Racing Commission, track operators, horsemen and breeders and make recommendations as to roles, responsibilities, communication and leadership.

2. To review both the management and accounting practices of horse racing in Saskatchewan and to make recommendations as to their improvement, where necessary.

3. To review the current circumstances of Saskatchewan's breeding industry and the relationship between the breeding industry and track viability and development.

4. To review the existing structure for horse racing purses in Saskatchewan and make recommendations as to how they can be improved.

5. To review existing wagering and to make recommendations as to how betting can be improved through the following:

   . At Track
   . Off Track
   . Simulcasting
   . Inter-Track

6. To review the racing programs offered in Saskatchewan's urban and rural racing theatres and make recommendations as to season length, breed specialization (i.e. one track/one breed) and the expansion/location of horse racing.

7. To determine the market for horse racing in Saskatchewan and describe/characterize the market that horse racing is currently impacting and not impacting on.

8. To review the marketing of horse racing in general in Saskatchewan and specifically in the cases of Regina and Saskatoon and make recommendations as to how the effectiveness of current marketing programs can be improved. How can this industry effectively position itself in the marketplace?

9. To review the industry's current approach to corporate sponsorship and determine how corporate sponsorship of horse racing can be improved.

10. To establish market targets for the growth of horse racing in Saskatchewan and outline a program for market and product development that would achieve those targets.

11. To address the role that the Government of Saskatchewan should play in regard to supervision of the industry and the development of positive incentives for the industry.

12. To prepare a comprehensive implementation strategy identifying the roles and responsibilities of key plan participants.

The approach taken by the research team was to investigate both the product and market components of the industry in addressing these sub-objectives. On the product side, trends in both the Canadian and Saskatchewan horse racing industries were reviewed. The structure and historical development of Saskatchewan's horse racing industry was examined. The financial operations of Saskatchewan's principal race tracks were analyzed in considerable detail.

On the market side of the industry, both race patrons and non-race patrons were profiled. This included a detailed market research program involving surveys of race fans at the tracks, resident market telephone surveys and an analysis of draw coupons for a Festiva Car draw promotion conducted at Marquis and Queensbury Downs during the 1989 race season.

Regarding the potential application of teletheatre wagering for Saskatchewan, the research team conducted a separate feasibility study, which is available as an addendum to this report. However the key findings of that study are referenced in this report.

3.0 THE CANADIAN HORSE RACING INDUSTRY

This chapter provides a broad overview of the Canadian horse racing industry. It draws out the more salient characteristics of the Canadian industry with particular attention being paid to trends and key pieces of industry data. This analysis can then be used in comparing or contrasting Saskatchewan's experience against national performance characteristics and trends.

Harness Racing is the Principal Product Offer at Most Canadian Tracks

As shown in the following table, harness racing in Canada accounts for 63% of attendance, 80% of race days offered and almost 60% of the total amount of money wagered in Canadian horse racing. This does not necessarily mean that the public and track operators prefer harness racing. Rather harness horses can race more often than thoroughbred and harness horses can also race throughout the winter while thoroughbreds can not. In other words, harness horses can race longer and more frequently than thoroughbred horses.

TABLE 1

Canadian Horse Racing Industry Comparison of Harness Racing to Thoroughbred Racing 1988

	Harness	1988 %	Thoroughbred	%	Total
Attendance	7,414,842	63.2%	4,319,519	36.8%	11,734,433
Days	3,658	79.9%	918	20.1%	4,576
Handle	1,082,636,601	59.3%	741,954,831	40.7%	1,824,591,432

Source: Agriculture Canada

Regarding betting behaviour, on a per race basis, thoroughbred racing significantly "out-bets" harness racing. The daily average handle for thoroughbred racing is $808,230, 2.73 times greater than the daily average for harness racing at $275,964. On a per capita bet basis, thoroughbred racing is $171.40 compared to $146.00 for harness. Generally, track surveys of racing fans indicate a fan preference for thoroughbreds over harness. This preference clearly shows in betting behaviour.

Ontario Dominates the Canadian Horse Racing Industry

The following table indicates the Province of Ontario's dominance in the Canadian horse racing industry, accounting for almost 60% of total Canadian handle and 53.3% of the number of races run in Canada. The table also indicates that Ontario's industry is the most productive with 42.1% of the number of races run generating 58% of total handle, compared to Western Canada where 26.6% of the number of races run generates 24.8% of total handle.

TABLE 2

Comparison of Provincial Horse Racing Industries 1988

	Number of Races	%	Attendance (000's)	%	Total Bet (000's)	%
Ontario	**20,663**	**42.1%**	**6,251.5**	**53.3%**	**1,059,856.7**	**58.1%**
Western Canada	**13,059**	**26.6%**	**3,269.5**	**27.8%**	**451,595.4**	**24.8%**
B.C.	3,511		1,333.5		195,022.2	
Alberta	4,470		1,220.5		182,367.7	
Manitoba	2,457		501.0		57,698.7	
Saskatchewan	2,621		214.5		16,506.8	
Quebec	**7,847**	**16.0**	**1,859.0**	**15.9%**	**281,598.6**	**15.4%**
Maritimes	**7,512**	**15.3**	**354.4**	**3.0%**	**31,540.8**	**1.7%**
New Brunswick	2,433		137.7		11,291.2	
Nova Scotia	2,578		104.6		11,816.8	
P.E.I.	1,996		93.9		7,221.7	
Newfoundland	505		18.2		1,211.1	
	49,081		**11,734.4**		**1,824,591.5**	

Source: Agriculture Canada.

There are Significant Regional Differences in the Canadian Horse Racing Industry

While it is true that harness racing is the principal product offer for the Canadian horse racing industry, this really results from the sheer size of Ontario's horse racing industry. As shown in the following table, a different product pattern emerges for Western Canada where attendance and wagering are higher for thoroughbred racing with the exception of Saskatchewan. However it should be noted that in Saskatchewan's case 1988 was the first and only year that a winter harness meet was scheduled adding 31 days of racing and $2.4 million in handle.

TABLE 3

Provincial Comparison of Harness and Thoroughbred Racing 1988

	Harness			**Thoroughbred**		
	Attendance	**# of Days**	**Handle**	**Attendance**	**# of Days**	**Handle**
Ontario	64.8%	84.4%	57.3%	35.2%		42.7%
Quebec	100.0%	100.0%	100.0%	-	-	-
Maritimes	100.0%	100.0%	100.0%	-	-	-
Western Canada	37.9%	50.6%	39.4%	62.1%	49.4%	60.6%
B.C.	31.8%	54.6%	31.1%	68.2%	45.4%	68.9%
Alberta	45.1%	45.9%	49.6%	54.9%	54.1%	50.4%
Manitoba	28.7%	50.4%	27.3%	71.3%	49.6%	72.7%
Saskatchewan	57.3%	64.6%	61.4%	42.7%	35.4%	38.6%

Source: Agriculture Canada.

Table 4 displays provincial comparisons for per capita bet, handles and attendance. In Ontario's case, that province has the highest per capita thoroughbred bet and daily average attendance in Canada. Also shown in this table is the ratio of thoroughbred to harness handle where thoroughbred handle is four times the level of harness handle. It could be argued that if Ontario were to offer more thoroughbred days the average handle for Ontario racing would increase even more.

TABLE 4

Provincial Comparisons of Per Capita Bet and Daily Handle for Harness and Thoroughbred Racing
1988

	Per Capita Bet		Daily Handle						
			Harness			Thoroughbred			
	Harness	Thorough-bred	# of Race Days	Daily Handle	Daily Attendance	# of Race Days	Daily Handle	Daily Attendance	Ratio of Thoroughbred to Harness Daily Handle
Ontario	$150.0	$205.6	1,643	369,812	2,466	303	1,492,593	7,260	4.03
Quebec	151.5	-	677	415,951	2,746	-		-	-
Western Canada									
B.C.	143.1	147.6	174	348,803	2,437	173	776,477	5,257	2.23
Alberta	164.5	137.0	208	435,252	2,646	245	374,838	2,736	.83
Manitoba	109.9	117.3	122	129,284	1,177	120	349,384	2,979	2.70
Saskatchewan	81.9	69.6	127	79,252	968	77	82,764	1,189	1.04

Source: Agriculture Canada.

In Western Canada the difference between betting, handles and attendance for thoroughbred and harness is not as great as in Ontario's case. In examining the Province of Alberta's industry, it appears to be in direct contrast to Ontario's. At the provincial level, Alberta's daily handle and per capita bet for harness are greater than thoroughbred. The reason for this apparent anomaly in the case of Alberta is that that province has a large "B" thoroughbred circuit and harness racing takes place almost exclusively in Edmonton and Calgary. The B circuit thoroughbred racing brings down the average daily handle for Alberta thoroughbred racing. For both Calgary and Edmonton the average daily handle for thoroughbreds is greater than harness racing. For Calgary, the daily average for harness is $365,037 compared to $525,683 for thoroughbred and in Edmonton the daily average for harness is $533,658 compared to $668,511 for thoroughbred.

Table 4 also points out very dramatically that Saskatchewan's industry is performing poorly, having the lowest per capita bet and lowest daily handle in Western Canada.

It is interesting to compare the major cities of Edmonton and Calgary in Alberta to Saskatoon and Regina in Saskatchewan as shown in Table 5. In Alberta the cities of Edmonton and Calgary have similar populations yet Edmonton's race track (Northlands) does considerably better than Calgary's. For Edmonton both daily handles and attendance are higher for both breeds than in the case of Calgary's race track.

TABLE 5

Comparison of Edmonton, Calgary, Saskatoon and Regina
Race Days, Daily Handles and Attendance
1988

	Edmonton			**Calgary**		
	Race Days	**Daily Handle**	**Daily Attendance**	**Race Days**	**Daily Handle**	**Daily Attendance**
Harness	98	$533,658	3,099	104	$365,033	2,346
Thoroughbred	75	$668,511	4,532	71	$535,683	3,479
	Saskatoon			**Regina**		
Harness	44	$ 93,969	1,054	81	$ 73,685	912
Thoroughbred	38	$ 94,884	1,244	36	$ 76,356	1,211

Source: Agriculture Canada.

While both Regina and Saskatoon have considerably lower handles and attendance than Edmonton or Calgary, Saskatoon, like Edmonton, performs better than Regina on a daily basis for both handle and attendance for both harness and thoroughbred.

The Health of Horse Racing Across North America is Characterized by a General Decline Throughout the 1980's

Since 1981 horse racing attendance in North America has been declining by approximately 2% per annum, while wagering has only enjoyed modest growth of less than 1% per annum, which is significantly less than the rate of inflation.

In Constant Dollars Total Wagering in Canada has Fallen by 23.5% Since 1981

Since 1981 the number of race days offered in Canada has remained fairly constant at 4,500.

Over that same period wagering has only experienced modest growth from $1,700 million to $1,800 million, or less than 1% a year, which reflects the general North American experience. The following table measures total Canadian wagering in constant dollars, which shows that measured in constant dollars, total wagering has declined by 23.5%. Over that same period, per capita income in Canada, measured in constant dollars, has increased.

TABLE 6

Wagering of Canadian Horse Racing Measured in Constant Dollars
1981 to 1988
(000,000's)

1981	1,700.0
1983	1,600.0
1983	1,400.0
1984	1,350.0
1985	1,325.0
1986	1,300.0
1987	1,350.0
1988	1,350.0

Source: Agriculture Canada.

Ontario is the Only Province Experiencing Positive Growth in Wagering

The following table displays the rate of growth (decline) in wagering at the regional level. As indicated in this table, Ontario is the only province enjoying positive growth in wagering at an average annual growth rate of 4.5% a year.

TABLE 7

Annual Rates of Growth (Decline) in Total Wagering at the Regional Level 1981 to 1988

Ontario	4.5%
Manitoba	0.0%
British Columbia	(1.6%)
Saskatchewan	(2.1%)
Maritimes	(2.1%)
Alberta	(2.9%)
Quebec	(3.1%)
National Average	1.1%

Source: Agriculture Canada.

A possible reason for Ontario's positive growth rate may be due to Ontario's especially buoyant economy throughout the 1980's. Ontario has been experiencing an economic boom. This has been especially true for Toronto, which accounts for almost 90% of the Province's total wagering. A healthy economy will normally impact positively on the owners of race horses who in turn will make greater investments in race horse inventories. This will, in turn, have a positive impact on handles. The reverse circumstance has occurred in Western Canada, with the possible exception of British Columbia. However, Quebec has also been experiencing a strong economy but this has not impacted on that Province's racing industry as it experienced the greatest provincial decline in total wagering. However, it should be noted that for 1989 horse racing in Quebec has shown a very dramatic upswing. The Quebec Government reduced its pari-mutuel tax and also assisted the industry with capital grants.

Horse Racing is Still the Most Popular Spectator Sport Product in North America

While horse racing is declining somewhat in terms of attendance and real growth in wagering, it still remains the most popular professional sport in North America. In the U.S. the R. H. Bruskin and Associates Study, which is considered to be the most comprehensive study on the industry in recent times, found that thoroughbred racing compared favourably with competing sports and was roughly equal to professional baseball and somewhat greater than football. Unlike Canada, thoroughbred racing in the U.S. accounts for 55% of race track attendance and over 60% of total wagering. Interestingly the "Bruskin" report found that thoroughbred racing had a very high market penetration rate as the study found that 25% of all people surveyed had attended a thoroughbred race, with 14% of the total attending within the last year. However it should be remembered that horse racing, as a product offer, is substantially more available (in terms of event presentation) than other professional sports. Many tracks also operate year round.

Interestingly, the Bruskin study found that wagering was not the main draw for horse racing, as the primary reason given for attendance, both among frequent and infrequent attendees, was the "atmosphere and excitement" of the racing experience. Amongst frequent attendees, wagering was cited as a close second, whereas infrequent patrons stated "entertainment" as the second most important reason.

In Canada, horse racing, in terms of attendance is more popular than professional football, hockey and baseball as shown in the following table:

TABLE 8

Comparative Attendance: Horse Racing and Other Professional Sports in Canada

	Attendance (000,000's)
Horse Racing	11.7
Hockey	4.0
Baseball	3.7
Football	2.3

Source: Economic Impact of Horse Racing in Canada prepared by Woods Gordon, 1985.

4.0 THE SASKATCHEWAN HORSE RACING INDUSTRY

4.1 Structure

The structure of the Saskatchewan horse racing industry is similar to that of other provinces. It is composed of the following:

- Agriculture Canada
- Government of Canada
- Provincial Horse Racing Commission
- Track Operators
- Horsemen

4.1.1 — Agriculture Canada

The Race Track Division of Agriculture Canada, under Section 204 of the Criminal Code, has the authority to regulate and supervise parimutuel betting in all Canadian Provinces. In essence, Agriculture Canada supervises Canadian parimutuel wagering. It tests all computerized betting systems, verifies bets and payouts and monitors betting policies. Agriculture Canada also contracts for photo-finish and race patrol services, which help the stewards and judges of the provincial racing commission to properly regulate races and determine accurate orders to finish and detect rule violations. Lastly Agriculture Canada is also very active in drug testing and equine drug evaluation.

Agriculture Canada's Race Track Division is a self financing regulatory body. It receives no financial assistance from either federal or provincial governments. The Division budget ($13,930,867 in 1988) is paid for by a levy of .8% on all parimutuel bets in Canada. The levy cannot exceed 1% and has remained at .8% since April, 1983.

4.1.2 -- Government of Saskatchewan

The Saskatchewan Government, as in other province's has little direct involvement in its horse racing industry. Regulation and product development is largely the responsibility of Agriculture Canada, the Racing Commission and the industry itself. As in other provinces the principal area of involvement for the Provincial Government is the administration of a provincial tax or levy on parimutuel betting. Arguably, a racing commission, in particular its cost of administration, which in Saskatchewan's case is 30% of the total Commission's budget, is part of the Government of Saskatchewan in that appointments to the Commission are made by the Government of Saskatchewan.

In Saskatchewan the provincial tax of 10%, which is currently the highest in Western Canada, has remained at that level since the 1970's. However unlike other industries that are taxed by the Provincial Government, the Saskatchewan tax on parimutuel wagering is fully rebated to the industry. This practice was initiated in 1975. The full amount of the provincial tax ($1,819,780 in 1988) is rebated by way of a grant to the Saskatchewan Racing Commission.

4.1.3 — The Saskatchewan Racing Commission

The Saskatchewan Racing Commission was initiated on December 15, 1983 as the result of the passage of the Saskatchewan Horse Racing Commission Act. The Commission has full authority to prescribe the rules, regulations, and conditions under which horse racing with parimutuel wagering may be conducted in the Province of Saskatchewan. It has established as its primary goal:

> "To build a strong and credible industry to operate the Commission offices as efficiently and economically as possible and to serve as a steadfast entity in which the industry and the public can depend upon to preserve and maintain the integrity of horse racing in Saskatchewan."

In summary the Commission's principal functions are:

- Approving races dates
- Licencing all persons involved in horse racing
- Assisting in the development of horse racing in Saskatchewan
- Hearing appeals on Judges' and Stewards' rulings
- Approving separate pool wagering dates

Regarding the approval of race dates, race associations must submit applications for next year's race dates by October 31 of the preceding year. Both the Commission (approval of the actual dates) and Agriculture Canada (approval of dates in which parimutuel wagering takes place) approve the race schedule. However, compliance with this date in Saskatchewan has not always occurred. Largely as a result of uncertainty about the future of the industry, 1989 race dates were finalized well into 1989.

The single largest administrative or regulatory cost to the Commission are judges and stewards. These individuals are present at every race. It results in a considerable amount of travel between Regina and Saskatoon.

The single largest cost to the Commission are grants to the industry, which accounts for 70% of the Commission's operating expenditure. This includes grants to:

- Track Operators
- Standardbred Breeders
- Thoroughbred Breeders
- The Western College of Veterinary Medicine

In recent years the Commission has dealt with new technological innovations in the industry such as intertrack betting (approved in 1984) and separate pool wagering (approved in 1986). These forms of wagering now account for 37.3% of total provincial handle. As in other provinces the Commission is currently examining the potential application of teletheatre wagering in Saskatchewan.

The following table compares the administration costs for Alberta's and Manitoba's Racing Commissions with Saskatchewan's:

TABLE 9

Comparison of Provincial Racing Commission Costs
1988

	Alberta	Manitoba	Saskatchewan
# of Race Days	453	242	204
Provincial Handle	$182,367,713	$57,698,666	$17,162,010
Racing Commission Administration	$1,110,229	$608,507	$507,422
Commission Cost as % of Handle	.6%	1.1%	3.0%
Commission Cost Per Race Day	$2,451	$2,514	$2,487

Source: Saskatchewan, Alberta and Manitoba Horse Racing Commission Annual Reports and Agriculture Canada.

Relative to handle, the cost of operating Saskatchewan's Racing Commission is almost 3 times as great as Manitoba's and 5 times greater than Alberta's. While the cost of running Manitoba's Commission is only $100,000 or 20% more than Saskatchewan's, Manitoba's handle is 3.5 times the level of Saskatchewan's handle. However to be fair to the Saskatchewan Racing Commission, the Commission cost per race day is quite comparable. Compared to Manitoba, the Commission cost per race day is actually lower. In other words Saskatchewan runs a similar type of Commission, in terms of administration, to that of Alberta or Manitoba.

The following table would suggest that Saskatchewan can't really afford to run a similar type of Commission to either of its provincial counterparts. Over the period 1984 to 1988, the costs of operating the Saskatchewan Racing Commission have increased by 43.8% while live handle has decreased by 15.7%. One wonders that without simulcasting, for which the Commission incurs no cost, what the implications would have been for the Commission's administrative budget. In many ways simulcasting out-of-province racing is subsidizing live horse racing in Saskatchewan.

Paradoxically, it appears that the more race days offered, the lower the live handle in Saskatchewan. To further aggravate this situation, the more race days offered, the greater is the cost of operating the Saskatchewan Racing Commission. Winter racing offered by Queensbury Downs greatly increased the Commission's cost for 1988.

TABLE 10

Historical Cost Comparison for the Saskatchewan Racing Commission

Year	**Commission Admin. Cost**	**As a % of Total Commission Expenditure**	**# of Live Race Days**	**Commission Cost Per Race Day**	**Live Handle (in 000,000's)**	**Live Handle and Simulcast (in 000,000's)**
1988	$ 507,422	28.7%	204	$ 2,487	$ 13.8	$ 17.2
1987	459,652	20.8%	196	2,345	14.5	19.7
1986	419,300	30.3%	175	2,396	12.5	15.3
1985	440,682	26.5%	177	2,490	14.7	14.7
1984	352,550	21.0%	174	2,026	16.4	16.7
% Change 1984-88	43.8%		17.2%	22.8%	(15.7%)	3.0%

Source: Saskatchewan Horse Racing Commission Annual Reports.

While this table illustrates that the cost of operating the Saskatchewan Horse Racing Commission is too high relative to handle, it raises the question as to what type of Commission would be best for Saskatchewan. Obviously some form of Commission is necessary to regulate and protect the integrity of horse racing in Saskatchewan. However by reducing the Commission's budget does this mean compromising the integrity of Saskatchewan horse racing? One possibility is to reduce the number of race days offered particularly when there are simultaneous or head-to-head meets in the two major cities and to increase simulcast races.

4.1.4 -- Track Operators

Race track operators in Saskatchewan are all non-profit exhibition societies. In 1988 only 4 cities offered racing programs. As shown in the following table, Regina and Saskatoon offer 97.5% of the race days and generate 99.7% of total wagering. Race dates in Melville and Yorkton are short race meets held in conjunction with local fairs.

TABLE 11

Location of Horse Racing in Saskatchewan - 1988

	Race Days	**%**	**Total Handle**	**%**
Regina	117	57.3%	$ 8,717,289	52.8%
Saskatoon	82	40.2%	7,740,209	46.9%
Yorkton	2	1.0%	30,858	.2%
Melville	3	1.5%	18,447	.1%
Total	**204**	**100.0%**	**$16,506,803**	**100.0%**

Source: Saskatchewan Horse Racing Commission.

Both Regina (Queensbury Downs) and Saskatoon (Marquis Downs) are operated by exhibition or agricultural societies, the Regina Exhibition Association Ltd. and Prairieland Exhibition Association Corporation, respectively. Racing is operated as a separate division but reports to a committee of the Board of Directors for each association. The performance of each race track is ultimately blended into (by way of profit or loss) the Association's overall product offering which includes a summer fair, trade shows and other agricultural events. As shown in the following table, while not necessarily better, the Regina Exhibition Association is a bigger (in terms of revenue and product offer) exhibition association than Prairieland Exhibition. Horse racing is Prairieland's largest product offer (36.5% of gross revenues), while horse racing accounts for 28.8% of Regina Exhibition gross revenue. Commercial rentals (trade shows, banquets, conferences, car sales, etc.) are Regina's major product offer and revenue generator. As can be seen from this table Prairieland is far more dependent upon horse racing than in the case of Regina Exhibition.

TABLE 12

Comparison of Product Offer and Revenue Composition for Regina Exhibition Association and Prairieland Exhibition Association

	Prairieland Exhibition			Regina Exhibition	
Product	**Revenue**	**%**	**Product**	**Revenue**	**%**
Horse Racing	$ 2,759,926	36.5%	Commercial Rentals	$ 3,820,778	28.8%
Programs	1,494,037	19.8%	Horse Racing	3,417,632	25.7%
Facilities	1,398,732	18.5%	Casino	3,072,584	23.2%
Exhibition Week	1,298,732	17.2%	Summer Fair	1,555,851	11.7%
Agric. Activities	335,660	4.4%	Farm Show	674,059	5.1%
Gen. Admin.	320,660	4.2%	Overhead	520,742	3.9%
			Spring & Fall Fairs	212,665	1.6%
Total	**$ 7,554,307**	**100.0%**		**$13,274,311**	**100.0%**

Source: Exhibition Association Annual Reports.

The single largest source of revenue for both race tracks is the track commission that is derived from wagering. The following table is typical of the revenue structure for Saskatchewan's two principal tracks. While track commission is the largest source of revenue for both tracks, its impact on the track's financial operation is negative, as both tracks actually lose money on live racing. The profit margin on racing is negative 12%, while the profit margin on food, beverage and concessions is positive 33%. These numbers represent the average for both tracks. A latter section will detail each track's costs and revenues.

TABLE 13

Principal Sources of Revenue for Race Track Operations in Regina and Saskatoon

	Gross Revenue
Track Commission and Breakage	43%
Food & Beverage Concessions	19%
Grants	24%
Admissions	4%
Program Sales	4%
Other	6%

Source: Consultants' estimate.

4.1.5 — The Horsemen

In Saskatchewan harness and thoroughbred racing account for virtually all of the province's horse racing activity. As shown in the following table, Quarterhorse/Appaloosa accounts for a very small portion of the Province's racing industry.

TABLE 14

Saskatchewan Live Racing Statistics by Breed 1987

	Races Run	Handle	Purses
Harness	1,135	$ 7,895,249	$ 1,262,190
Thoroughbred	705	6,559,453	1,185,751
Quarter Horse/Appaloosa	46	37,380	35,507
Total	**1,886**	**$14,492,082**	**$ 2,483,448**

Source: Saskatchewan Horse Racing Commission.

Like track operators, the horsemen rely on wagering for their income. A latter section will analyze the level of purse payments in Saskatchewan compared to other provinces. However it is safe to say that purse payments in Saskatchewan are low by comparative standards for Western Canada. The following table displays the historical levels of purse payments since 1984.

Purses for harness racing are experiencing a reasonably healthy growth rate (i.e. averaging 7.5% a year) compared to thoroughbred racing (averaging only 1.35% a year).

TABLE 15

Average Per Race Purse Distribution 1984 to 1988

	Harness	Thoroughbred	Average
1988	$ 1,098	$ 1,786	$ 1,342
1987	1,112	1,681	1,317
1986	760	1,508	1,095
1985	795	1,616	1,158
1984	848	1,694	1,240
Average Annual Rate of Growth 1984 - 1988	7.5%	1.35%	2.05%

Source: Saskatchewan Horse Racing Commission.

Purse payments are based on a number of decisions between the track operator and the horsemen and, indirectly, the Government's pari-mutuel tax. A purse schedule, in reality, is based on projected wagering. If projections are wrong, and intervention does not occur quickly, purse overpayments can occur. Both tracks are currently holding receivables for overpayments in previous years. Clearly, existing contracts between race track operators and horsemen should be based on realistic projections for the race season's total handle. The following table indicates the level of purse overpayments calculated by race track operators.

TABLE 16

Estimated Purse Overpayments
1988

	Regina	**Saskatoon**	**Total**	**As a % of Total Purses**
Thoroughbred	$ 168,496	$ 13,600	$ 182,096	14.8%
Harness	58,018	135,000	190,018	13.8%
Total	**$ 226,514**	**$ 148,600**	**$ 372,114**	**14.5%**

Source: Track operator estimates.

Purse overpayments come directly out of the track operators' "pockets". The level of purse overpayment is high at 14.5% of total purses. The purses reported in Table 15 are actually artificially higher than what should be reported in that table. In Regina's case, the track has actually "written off" a portion ($60,000) of its purse overpayment.

The impact of an overpayment of $372,114 is very significant. To illustrate this point if a store has an article worth $100 stolen or mislaid from which the retailer had expected a 25% profit margin, that store will have to sell four items of a similar nature just to pay for the cost of the misplaced article.

While we are not implying that the horsemen racing in Saskatchewan are thieves, the same analogy applies to horse racing. However the financial impact for horse racing is even more severe as margins are considerably lower. The primary source of revenue for purses is track commission. In order for a track to generate $372,114 from commission revenue, a gross handle of $2,480,960 would be necessary. This represents 14.5% of the 1988 total handle and 18.1% of 1988's live handle. To recover this level of money in the following season is extremely difficult as handles are declining in Saskatchewan. The only alternatives are raising commissions or reducing purse payments. Raising commissions would reduce handles even further as this would impact on betting pools. Reducing the already low level of purse payments increases the risk of not having a sufficient horse inventory to put together race meets.

Purse overpayments, at this time, place Saskatchewan's horse racing industry in an almost untenable position. Clearly, if the industry is to survive purse overpayments must stop.

One of the principal reasons for the declining level of purse payments for thoroughbreds in Saskatchewan mentioned earlier is the declining level of thoroughbred handle. Table 17 compares handle to purses for both thoroughbred and harness racing in Saskatchewan.

This table indicates the direct relationship between handle and purses. In the case of thoroughbred racing, handle has fallen by 44.1% since 1984. While purses haven't declined in direct proportion to handle there has been very little growth in the level of purses. The declining handle has also led to purse overpayments in the industry. Purse overpayments have actually led to some very negative publicity for horse racing where disputes have arisen between the track operators and the horsemen. In one case, the harness horsemen were contemplating suing the track, while in another thoroughbred horsemen were refusing to race.

Daily average handles have been declining for both thoroughbred and harness since 1984. This has been particularly the case with thoroughbred where the average per race handle has consistently declined over the period to a point where handles are down 33.9% over the 1984 level. In the case of harness racing, per race handles have not declined as much as in the case of thoroughbred racing.

A horse supply is critical to the industry. Purse erosion, among other things, effects horse supply. Horse supply, or lack thereof, can effect the length of the racing season which in turn decreases gross handle and ultimately horse supply as it becomes increasingly uneconomic to race for both the horseman and track operator. In the track operator's case, there are not enough racing days to cover fixed costs. This can lead to a downward cycle which can span several years as a result of its impact on the breeding industry.

During the 1970's Saskatchewan was hit hard by a declining horse inventory in both thoroughbred and harness racing. This was due to expansion of tracks in other provinces and better purses. The opening of the Sandown Track near Victoria severely impacted on supply of harness horses in Saskatchewan. For Regina it resulted in the race track, at the time, offering no harness racing product, which was previously the track's primary product offer. From 1979 to 1982 there simply was no harness racing in Regina. While Saskatoon was still able to offer harness racing, it was at a significantly reduced level.

The following table compares thoroughbred ownership to harness ownership in Saskatchewan for persons licenced with the Saskatchewan Racing Commission. Clearly, thoroughbred ownership outstrips harness both in terms of licences and in terms of owners actually resident in Saskatchewan.

TABLE 17

Comparison of Handles and Purses for Thoroughbred and Harness Racing in Saskatchewan 1984 to 1988

	Thoroughbred						Harness					
	Handle	Races	Daily Average Handle	Purses	% Purse to Handle	Per Race Purse	Handle	Races	Daily Average Handle	Purses	% Purse to Handle	Per Race Purse
1988	$ 5,502,752	691	$ 71,464	$1,234,395	22.4%	$1,786	$ 8,281,021	1,259	$65,205	$ 1,382,710	16.7%	$1,098
1987	6,559,453	705	84,096	1,185,750	18.1%	1,681	7,895,249	1,135	69,870	1,262,190	16.0%	1,112
1986	7,690,561	759	92,657	1,144,792	14.9%	1,508	4,667,343	810	56,233	615,897	13.2%	760
1985	8,762,548	766	106,860	1,237,647	14.1%	1,616	5,837,409	889	66,334	706,569	12.1%	795
1984	9,851,815	818	120,144	1,386,058	14.1%	1,694	6,456,890	850	75,963	718,142	11.1%	845
% Growth (Decline)	(44.1%)	(15.5%)	(40.5%)	(10.9%)		5.4%	28.3%	48.1%	(14.2%)	92.5%		29.9%
Average Annual Growth	(11.0%)	(3.9%)	(10.1%)	(3.7%)		2.7%	7.1%	12.0%	(3.5%)	23.1%		7.5%

Source: Saskatchewan Horse Racing Commission.

TABLE 18

Comparison of Thoroughbred and Harness Licences with the Saskatchewan Horse Racing Commission August, 1989

	Thoroughbred		Harness	
	#	%	#	%
Resident Owners	408		217	
Resident Owners/Trainers	81		79	
Total Resident	**489**	**80.4%**	**296**	**63.4%**
Non-Resident Owner	81		126	
Non-Resident Owners/Trainers	36		45	
Total Non-Resident	**119**	**19.6%**	**171**	**36.6%**
Total Owners	**608**	**100.0%**	**467**	**100.0%**

Source: Saskatchewan Horse Racing Commission.

Comparatively the supply of thoroughbred horses is substantially greater than harness horses in Saskatchewan. Further, thoroughbred horses also have a substantially higher Saskatchewan ownership base. In discussions with the Harness Association representatives, it appears that Alberta and British Columbia have attracted several Saskatchewan harness owners. This suggests that harness ownership has yet to recover from previous years in the 1970's that severely impacted on the province's supply of harness horses.

Table 19 compares foal registrations in Saskatchewan for both thoroughbred and harness. This table indicates that Saskatchewan's harness breeding industry has experienced significant decline. Comparatively the thoroughbred breeding industry is considerably healthier than harness as thoroughbred foal production is twice the level for harness. Currently there is only one principal breeder for standardbred horses in Saskatchewan and this individual accounts for 50% of foal production. If this breeder were to leave the industry, which the individual is currently contemplating, the impact on total foal production would be significant. It would likely mean that Saskatchewan would not have a standardbred breeding industry.

TABLE 19

Saskatchewan Foal Registrations 1978-1989

	Thoroughbred	Harness
1988	154	N/A
1987	212	85
1986	249	115
1985	225	189
1984	231	199
1983	255	149
1982	175	167
1981	199	177
1980	155	162
1979	134	188
1978	122	157

Source: Milburn Marketing and Management.

The declining standardbred inventory was felt during the 1989 race season, as Queensbury had to reduce the number of race days that were projected. There simply were not enough horses available. Comparatively approximately 400 standardbreds started in 1989 at Queensbury compared to 735 thoroughbreds at Marquis Downs.

4.2 History

The history of Saskatchewan horse racing is interesting. There have been several changes in Saskatchewan's horse racing industry since the mid 1970's which impacted both positively and negatively on the industry. It is important to examine the historical performance of the industry as it leads to some understanding of the industry's current circumstances. Exhibit 1 lists some of the key changes or events that have impacted on horse racing in Saskatchewan:

EXHIBIT 1

Key Changes or Events Impacting on Horse Racing in Saskatchewan

1969 - Formation of the Saskatchewan Jockey Club

1975 - Expansion of thoroughbred and harness racing in bordering provinces results in reduced racing programs to harness only in Regina and Thoroughbred and harness in Saskatoon.

1975 - Government and industry agree to fully rebate 10% Provincial parimutuel for the industry.

1976 - Introduction of full rebate of parimutuel tax to the industry results in track operators having positive net revenues and increased purses for horsemen.

1977 - Longest race season in history of the industry in Saskatchewan

85 Days in Regina	H -- 47	T -- 38
90 Days in Saskatoon	H -- 31	T -- 59

Industry thought to be gaining strength. Attendance at Regina -- 112,344 people.

1978 - Sandown Track opens and attracts Saskatchewan harness stables resulting in reduced harness racing program at both Regina and Saskatoon and attendance drops. Regina considers dropping its racing operation altogether.

1979-81 Shortage of harness horses results in Regina not offering any harness racing and only thoroughbred while Saskatoon offers a reduced harness program and principally thoroughbred racing.

1980 - Horse racing has its third year of consecutive operating losses in Regina, a new racing plant is thought to be the answer.

1981 - Introduction of the new micro-tote betting equipment. Largely as a result of micro-tote, per capita betting increases by 16.2%. Regina records positive net revenue for the first time in three years.

1982 - Marquis records its highest handle and largest daily handle in its history to date. Needless to say it was Marquis' most profitable race year ever. Harness racing returns to Regina with a limited 27 day program which results in a net profit. However the handle for thoroughbred racing in Regina declines and thoroughbred racing incurs a net loss. Thoroughbred racing was conducted for 34 days from May 7 to July 3.
- In Saskatchewan, racing was still the major form of gambling accounting for 32.2% of all gambling.

1983 - Thoroughbred handles decline in both Regina and Saskatoon. For Regina, the number of harness days offered increases and harness racing makes a profit while thoroughbred does not. Regina, for the second year in a row, has doubts about the future of thoroughbred racing in Regina. The meet is held in the Spring again.
- Horse Racing's market share of the Saskatchewan gambling dollar drops to 18.4%, lotteries climb to 37.8%.

1984 - Establishment of the Saskatchewan Racing Commission
- Successful introduction of intertrack betting between Regina and Saskatoon
- Harness generates a profit for Regina but once again thoroughbreds lose money
- Horse racing's market share of gambling in Saskatchewan drops to 10%

1985 - Both Regina and Saskatoon experience their heaviest losses in the history of their respective tracks.
- Concern over the future of horse racing emerges again about continuing in the face of sustaining heavy losses. Pressure is put on Government for separate pool wagering, and Sunday racing.
- Horse racing's share of provincial gambling drops to 7.7%. Bingos, Nevadas, and lotteries are experiencing massive increases.

1986 - Separate pool wagering introduced
- Sunday racing approved
- Regina offers only thoroughbred racing to avoid any costly moves during a meet that would be shortened by the removal of the grandstand for the construction of new facilities. Both attendance and handle are down.
- Saskatoon offers its largest harness and shortest thoroughbred meets in its history. Saskatoon experiences its largest single season loss in its history.

1987 - Queensbury Centre opens
- Queensbury offers 100 days of harness only
- Saskatoon offers 76 days of thoroughbred
- Both tracks do reasonably well financially
- Horse racing's market share now drops to 6.3% of provincial gambling

1988 - The Wrights (Assiniboia Downs) take over operation of Marquis Downs
- The tracks revert to split meets for harness and thoroughbreds
- Handles for both breeds, but particularly thoroughbred, decline dramatically
- Winter racing introduced in Regina
- The financial results for both tracks are disastrous, the highest in the history of both tracks
- Horse racing's share of provincial gambling now at 4.3%.
- Serious doubts now emerge about the continuation of horse racing altogether in Saskatchewan.

The history of horse racing in Saskatchewan has been an especially rocky one. While, latter sections will examine in more detail specific trends in the industry some initial observations can be drawn from this review of horse racing's history.

1. Do Economic Conditions Impact on the Industry?

Generally the 1980's in Saskatchewan can be characterized by poor economic circumstances largely because of the poor performance of Saskatchewan's resource industries, especially agriculture. The reverse circumstances were true for the 1970's. However the industry appears to have experienced financial difficulties regardless of general economic conditions.

In general, economic conditions appear not to have any impact on gambling. From 1981 to 1988, per capita gambling, on all forms of gambling including horse racing in Saskatchewan, has increased from $51.2 million to $355.6 million -- an increase of 694%.

The impact of poor economic conditions is really felt at the horse ownership level in racing. A poor economy, declining handles and purses impact on investment decisions and the desire to own and train race horses. It is often a delayed reaction that takes up to two years to impact on horse racing. Further, with less ownership, handles will also fall as owners and their friends also bet on horse racing.

2. The Industry's History Has Been Characterized by Both Supply and Demand Problems

Especially for harness racing, horse racing could be described as having supply problems (i.e. a lack of horses) in the late 1970's and demand problems for thoroughbred racing in the 1980's. It has been rare that both breeds, in any given year, have both performed well from the perspectives of supply and demand.

3. The Industry Has Been Plagued by a Lack of Consistency and Poor Planning

There has been wide variation in the product offering at both tracks over the years in terms of the number of race days offered for each breed. Rather than moving towards some sort of equilibrium, horse racing in Saskatchewan constantly appears to be moving away from it. There has been no long term planning for Saskatchewan's race industry. Rather the industry "limps" from one uncertain year to the next.

4. On Balance Regina Has Done Better with Harness Racing and Saskatoon with Thoroughbred

There is some historical logic to the current policy of one breed one track. First of all, Regina has done consistently better, in terms of financial performance in offering harness racing, when horses are available. On the other hand, Saskatoon has done consistently better with thoroughbred. The switchover, in season, for Regina from thoroughbred to harness has almost always lost the track money.

5. Has a Major Increase in Betting on Other Gambling Products Impacted on Horse Racing?

On the surface this appears to be true. The growth in other gambling products began in 1982. From 1982 to 1988, total handle for Saskatchewan horse racing has declined. A latter chapter will explore the relationship of horse racing to other gambling products in terms of the market position for horse racing.

6. Technology Has Had a Major Impact on the Industry

There have been 3 major technological innovations in the industry since 1981. These are:

- The Introduction of Microtote in 1981
- The Introduction of "Intertrack" Betting in 1984
- The Introduction of Separate Pool Wagering in 1986

Table 19 tracks the growth of each of these innovations. The introduction of Microtote was largely responsible for the 17% increase in total handle in 1981. Intertracking, introduced in 1984, has been fairly popular with Regina and Saskatoon race fans and now accounts for 17.7% of total wagering. Separate pool wagering, largely on Assiniboia Downs' races, has been very popular, now accounting for 20% of total handle. It has increased tax revenues and purses for live racing and offsets some of the SHRC's administration costs for live racing. It has allowed track operators to offer a racing program in the off-season. Further, the net profit margin for track operators on simulcast wagering is substantially greater than with the live product. The reason for this is that the tracks do not directly incur the costs associated with producing the live product. Even after paying the host track a high commission of 50%, simulcast races still result in a very good net profit margin of almost 30%. As a result track operators will continue to press for more simulcast races. These products appeal to

TABLE 20

Comparison of Saskatchewan Live Handle, Intertrack and Separate Pool Wagering 1980 to 1988

	Total Handle	Live Handle	%	Intertrack	%	Separate Pool	%
1988	$ 17,162,010	$ 10,752,078	62.7%	$ 3,031,695	17.7%	$ 3,378,237	19.6%
1987	19,698,842	12,567,896	63.8%	1,924,186	9.8%	5,206,760	26.4%
1986	15,254,566	10,176,312	66.7%	2,278,109	14.9%	2,800,145	18.4%
1985	17,543,735	14,599,957	83.2%	2,943,778	16.8%	-	-
1984	16,368,529	13,576,825	82.5%	2,791,704	17.1%	-	-
1983	18,023,897	18,023,897	-	-	-	-	-
1982	19,975,768	19,975,768	-	-	-	-	-
1981	17,164,412	17,164,412	-	-	-	-	-
1980	14,744,837	14,744,837	-	-	-	-	-

Source: Saskatchewan Horse Racing Commission.

racing's hard core of fans. While smaller in number, they account for a substantial amount of track wagering. The per capita bet on simulcast exceeds the per capita bet on the live product by 38.42%. The reason for this is that the live product attracts the casual race attendee while simulcast does not.

The declining live handle is of real concern. It would appear that competing gambling products are impacting negatively on horse racing. However, it could also mean that the live product is becoming less appealing or is inferior. Given the popularity of simulcast racing this may be true, especially in the case of hard core race fans who want to bet into larger pools and watch better racing.

4.3 Comparison of the Saskatchewan Horse Racing Industry with Other Provinces

This section provides a comparison of Saskatchewan's horse racing industry primarily with the western provinces. The comparison is presented in the form of highlights that characterize key comparisons between the performance of Saskatchewan's race industry with that of other provinces.

Saskatchewan's Purses, Especially for Thoroughbreds Are The Lowest in Western Canada

The following table compares the average per race purse for both thoroughbred and harness racing. Saskatchewan's purses are the lowest. This is especially the case for thoroughbred racing where Saskatchewan's purses are only one-third the level of purse payments in bordering provinces. While the average purse for harness racing is the lowest, it is only 20% lower than the average purse for Manitoba. However it should be noted that in Manitoba's case (Assiniboia Downs) the track operators are losing interest in harness racing which has led to lower purse payments and higher track take-out.

Purses can dramatically effect a race industry. The higher the purses, the higher is the handle generated which leads to an upward cycle of increasing handles and purses. Unfortunately for Saskatchewan, the reverse cycle has taken place. There is a clear need for purse stabilization in Saskatchewan as one measure to stop the industry's recent decline.

TABLE 21

Comparative Provincial Data for Harness and Thoroughbred Purses 1988

	Harness		Thoroughbred	
	Races	Average Purse	Races	Average Purse
British Columbia	1,881	2,652	1,562	5,571
Alberta	2,072	3,546	2,321	3,360
Saskatchewan	1,259	1,098	691	1,189
Manitoba	1,272	1,379	1,159	3,405
Ontario	17,293	3,767	2,865	15,275

Source: Agriculture Canada.

Note: Readers should note that statistics compiled by Agriculture Canada for purses as shown in this table differ from the SHRC's statistics, as shown in Table 17. For comparative purposes Agriculture Canada's data is used.

Saskatchewan Has the Highest Track Commission

The following table compares track commissions. Saskatchewan's track commission at 15.1% is substantially higher than other provinces.[1] However some differences occur when harness and thoroughbred commissions are compared separately. Saskatchewan's thoroughbred commission is the highest of the provinces displayed in this table, while the harness commission is more comparable to other provinces and actually is lower than Manitoba's (Assiniboia Downs) Commission.

Generally, there is a direct relationship between commission and wagering that normally suggests the lower the track commissions, the higher the handle. This creates greater "churn". However, for a track that is experiencing poor financial performance, there is a reluctance to lower the commission or take-out rate. If handles don't increase quickly, the financial impact on the track can be devastating.

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[1] This has further increased in 1989.

TABLE 22

Comparative Provincial Data — Track Commissions — 1988

		As % of Total Wagering		
			Track Commission	
	Total Wagering	Track Commission	Harness	Thoroughbred
British Columbia	$ 195,022,171	11.8%	12.4%	11.5%
Alberta	182,367,713	11.5%	11.5%	11.5%
Saskatchewan	16,506,803	15.1%	15.5%	14.4%
Manitoba	56,698,666	12.0%	17.0%	10.2%
Ontario	$1,059,856,704	13.4%	14.0%	12.4%

Source: Agriculture Canada.

Saskatchewan Has the Lowest Level of Wagering in Western Canada

As shown in the Table 23, wagering in Saskatchewan is extremely low relative to other provinces. This is very reflective of the circumstances Saskatchewan's industry now finds itself in.

TABLE 23

Comparative Provincial Data for Daily Handles and Per Capita Bet

	Harness		Thoroughbred	
	Daily Handle	Per Capita Bet	Daily Handle	Per Capita Bet
B.C.	$ 348,803	$ 143.14	$ 776,477	$ 147.70
Alberta	435,252	164.49	374,838	137.00
Saskatchewan	79,252	81.87	82,764	69.61[1]
Manitoba	129,284	109.84	349,384	117.26
Ontario	369,812	149.97	1,492,593	205.59

[1] As noted previously, for comparative purposes we have had to use Agriculture Canada statistics. When compared to the Saskatchewan Racing Commission's statistics these numbers are artificially lower.

Source: Agriculture Canada.

Saskatchewan Has the Highest Provincial Pari-Mutuel Tax

Saskatchewan's pari-mutuel tax has been at 10% for a number of years. As shown in the following table it is the highest of all provinces.

TABLE 24

Comparison of Provincial Tax on the Horse Racing Industry 1988

British Columbia	7.0%
Alberta	5.0%
Saskatchewan	10.0%
Manitoba	9.1%
Ontario	7.4%

Source: Agriculture Canada.

Relative to the Handle Generated, Saskatchewan Purses Are Considerably Higher than in Other Provinces

While a previous section noted that the average per race purse in Saskatchewan is low, the following table indicates that relative to handle, gross purses are very high.

TABLE 25

Gross Purse As a Percentage of Total Handle 1988

British Columbia	7.0%
Alberta	8.3%
Saskatchewan	15.9%
Manitoba	9.8%
Ontario	10.3%

This apparent anomaly can be explained in that there is obviously a "floor" for purse payments. Purses cannot go so low that the horsemen simply refuse to race. If the tracks want to have a supply of horses to maintain their race seasons, purses are necessary. However in Saskatchewan's case handles have declined so drastically that even with very low purses, they still account for a relatively high cost component of racing operations. The problem is not really purses, but rather the extremely low handle.

Conclusions

The foregoing comparative analysis clearly outlines the dire circumstances in which Saskatchewan's horse racing industry now finds itself. With the racing program as it currently exists in Saskatchewan, there is little internal leverage within the industry to attempt to improve its circumstances. Saskatchewan has long since passed the point where track commissions or the parimutuel tax could be increased to generate more funds for purses or to improve operating circumstances for track operators. Saskatchewan's "take-out" rate is the highest in Western Canada as shown in the following table. Saskatchewan is also the only province where purses exceed track commissions (as shown in Table 26) which makes for an extremely difficult financial position for track operators.

TABLE 26

Provincial Comparison of Take-Out Rates

	B.C.	**Alberta**	**Sask.**	**Man.**	**Ont.**
Agriculture Canada	.8%	.8%	.8%	.8%	.8%
Provincial Parimutuel Tax	7.0%	5.0%	10.0%	9.1%	7.4%
Track Commissions	11.8%	11.6%	15.1%	12.0%	13.4%
Total	**19.6%**	**17.4%**	**25.9%**	**21.9%**	**21.6%**
Purses as a % of Handle	**7.0%**	**8.3%**	**15.9%**	**9.9%**	**10.3%**

In interviews with various racing commissions it was suggested that the optimal take-out rate should really not exceed 20%. When take-out rates exceed that level, they begin to impact negatively on race fans and in particular heavy bettors as the size of pools begin to decline. This results in people wagering less and therefore less money is available for purses and for the tracks to achieve some level of operating viability. To make the situation even worse for Saskatchewan, both track operators raised their take-out rates in 1989. Gamblers are sensitive to this. As a parallel example when the Government of Saskatchewan introduced a 10% tax on lotteries and Nevadas, sales declined substantially. In fact they declined so much that some lottery kiosk operators went out of business.

5.0 SASKATCHEWAN TRACK OPERATORS

5.1 Rural Tracks

Saskatchewan has seen a significant depletion in rural racing. As shown in the following table rural race meets are of very short duration. They are usually held in conjunction with a local summer fair. Melville has been the most consistent community in offering a race program annually.

TABLE 27

Comparative Historical Data for Rural Race Tracks
1984 to 1988

Melville	**1988**	**1987**	**1986**	**1985**	**1984**
Attendance	675	2,382	1,791	2,235	3,350
# of Race Days	3	5	3	3	3
Pari-Mutuel Bets	18,447	37,380	25,799	23,654	31,822
Moose Jaw					
Attendance	-	-	5,993	1,992	2,999
# of Race Days	-	-	18	7	6
Pari-Mutuel Bets	-	-	330,168	117,379	105,692
Yorkton					
Attendance	2,641	2,840	1,275	2,252	-
# of Race Days	2	2	3	3	-
Pari-Mutuel Bets	30,858	37,525	40,883	42,386	-
Lloydminster					
Attendance	-	-	1,194	3,800	-
# of Race Days	-	-	2	5	-
Pari-Mutuel Bets	-	-	21,799	70,290	-

The impact of rural racing on Saskatchewan's horse racing industry is almost negligible. Total rural wagering is less than one percent of the total handle for Saskatchewan. In both Saskatchewan and Manitoba rural racing has been declining over the last decade. The cost of offering the product is simply too great for local exhibition societies.

5.2 Urban Race Tracks

The health of the Saskatchewan-based horse racing industry is very dependent upon the performance of the Province's two urban tracks, Marquis Downs in Saskatoon and Queensbury Downs in Regina.

5.2.1 -- Regina Exhibition Association Ltd.

The Regina Exhibition Association Ltd. (REAL) has historically been the track operator for horse racing in Regina. While racing has always been a separate department, and operated as such, ultimately the financial responsibility for horse racing in Regina rests with REAL.

REAL's historical experience with horse racing has not been a positive one. Both in the 1970's and 1980's, serious consideration was given to dropping horse racing altogether. In 1983, REAL's Board of Directors grappled with the future of horse racing in the development of its long range plan for facility development. In the preparation of its long range plan, REAL considered development plans both with and without a race track. It was long considered that horse racing's poor performance was in part due to the facilities on the grounds. Comparatively, Regina's grandstand facilities were inferior to that of Saskatoon's. Eventually, REAL's Board of Directors opted for a long range plan that included a race track and entirely new grandstand facilities, which are arguably the best in the province.

Table 28 displays REAL's historical financial performance with horse racing. Clearly, horse racing's financial performance has been very poor. The cumulative net loss for horse racing in Regina totals $1.2 million since 1977. Since 1977, there have only been 3 years that Regina has experienced a positive net revenue from horse racing. In reviewing Regina's financial performance for horse racing it should be borne in mind that these financial statements make no allowances for interest and depreciation or receivables for purse overpayments.

Table 29 displays the historic performance of horse racing by breed in Regina to the race track's financial performance. In 1977, Regina enjoyed a successful racing program with a spring harness meet from May 20 to July 27 and a thoroughbred meet from August 11 to October 1. The race meet was the longest in the track's history. This was translated into a successful financial year for racing in Regina.

In 1978 racing in Regina ran into problems with the opening of Sandown Track near Victoria, B.C. resulting in a shortage of harness horses and a reduced meet. Bad weather and a virus further aggravated the situation and the length of the Fall thoroughbred meet was shortened. As a result, Regina suffered an operating loss largely because of a reduced race season.

TABLE 28

Regina Exhibition Association Historical Financial Performance for Horse Racing 1977 to 1988[1]

	Revenue	Expenses	Net Revenue	Cumulative Loss
1988	$ 3,417,632	$ 3,752,428	(334,796)	(1,182,272)
1987	5,066,721	5,051,234	15,487	(847,476)[2]
1986	1,762,954	1,924,509	(161,555)	(862,963)
1985	1,539,178	1,795,976	(256,768)	(701,408)
1984	1,890,783	1,975,647	(84,874)	(444,650)
1983	2,080,086	2,196,187	(116,101)	(359,766)
1982	1,862,234	2,001,623	(139,389)	(243,665)
1981	1,269,444	1,247,884	21,560	(104,276)
1980	1,507,320	1,572,044	(64,724)	(125,836)
1979	1,126,848	1,298,659	(171,811)	(61,112)
1978	1,403,017	1,442,113	(39,096)	110,699
1977	1,829,268	1,679,473	149,795	149,795

[1] All financial data reported was obtained from Association annual reports.

[2] Regina Exhibition's financial statements are based on a September 30 year end to 1986. In 1987 the year end was changed to March 31. For 1987, the data reported in this table is over an 18 month period from October 1 to March 31, 1988. For 1988 the financial data is reported for the period April 1, 1988 to March 31, 1988.

TABLE 29

Historical Data by Breed for Horse Racing in Regina

	Harness					Thoroughbred					Total	
	Live Days	Total Live Handle	Daily Live Handle	Simulcast Handle	Total Handle	Live Days	Total Live Handle	Daily Live Handle	Simulcast Handle	Total Handle	Total Handle	Net Revenue from Track Operations
1977	47	$3,638,506	$77,415	$ -	$3,638,506	38	$3,943,830	$103,765	$ -	$3,943,830	$ 7,582,336	$ 149,795
1978	35	2,122,471	60,642	-	2,122,471	36	3,771,935	104,776	-	3,771,955	5,894,406	(39,096)
1979	-			-	-	48	6,000,018	125,000	-	6,000,018	6,000,018	(171,811)
1980	-			-	-	50	6,559,970	131,199	-	6,559,970	6,559,970	(64,724)
1981	-			-	-	32	5,875,228	183,601	-	5,875,228	5,875,228	21,560
1982	27	2,412,548	89,354	-	2,412,548	34	4,870,059	143,237	-	4,870,059	7,282,607	(139,389)
1983	37	2,959,822	79,995	-	2,959,822	38	4,765,561	125,400	-	4,765,561	7,725,383	(116,101)
1984	40	3,048,320	76,208	-	3,048,320	35	4,001,988	114,343	-	4,001,988	7,050,308	(84,874)
1985	41	2,800,162	68,297	-	2,800,162	30	3,282,653	109,422	-	3,282,952	6,082,815	(256,768)
1986	-	-	-	2,680,362	2,680,362	46	3,467,436	82,558	34,158	3,501,554	6,181,956	(161,555)
1987	100	7,599,999	75,800	2,873,806	10,473,805	-	-	-	145,864	145,864	10,619,669	15,487
1988	81	5,836,860	72,060	302,164	6,139,024	36	2,554,056	70,946	363,323	2,917,379	9,056,403	(334,796)

Starting in 1979 the problems associated with a harness horse supply resulted in harness racing being canceled for three years in Regina. In 1979 a summer and fall thoroughbred program was offered. Despite a reasonably high daily handle the race operation lost money.

In 1981, summer/fall thoroughbred racing in Regina recorded a modest operating profit. This was in part due to the introduction of microtote betting equipment which raised the daily handle to its highest level ever. In addition Regina offered an all thoroughbred program that year which further impacted on the per capita bet.

In 1982, harness racing was reintroduced to Regina. The season was initiated with a spring thoroughbred meet (May 7 to July 3) and a summer/fall harness meet. While harness racing was a financial success, thoroughbred racing was not, being the major contributor to a net operating loss.

The years 1982 to 1984 were very similar in terms of the scheduling of meets and the resulting financial losses. In all three years spring thoroughbred racing was the major contributor to financial losses.

In 1985, Regina tried a new format with a spring and fall harness meet and a summer thoroughbred program. This formula was not successful either as daily handles for both breeds declined and Regina experienced the highest financial loss ever on racing operations.

In 1986 Regina decided to build new facilities. It was decided that only a thoroughbred meet would be offered to avoid any costly moves during the season (May 2 to August 9). This would also allow for demolition of the existing grandstand. The meet was one of the longest thoroughbred meets in Regina's history. Even with higher handles the thoroughbreds lost Regina $161,555 in 1986. It was also the first year for simulcast racing in Regina.

In 1987, Queensbury is opened and offers a harness only program. For the first time in 5 years a modest net profit is realized after completing the longest harness meet in history. The financial success of racing for that year was largely due to simulcasting, which accounted for 27% of the total handle.

The year 1988 was a major disappointment. Regina returned to a format of a spring thoroughbred meet (May 16 to July 24), which history would suggest was not a wise financial move on REAL's part. Interestingly, the daily handles for both harness and thoroughbreds were almost the same which suggest, very poor performance from the thoroughbred race meet.

The costs associated with the changeover between the breeds, a $60,000 writedown on purse overpayments and low handles for thoroughbreds as well as a greatly reduced simulcast program were the main contributors to Regina's poor financial performance that year.

If there is to be anything gained by this historical review of Regina's racing performance it is as follows:

- Harness racing has historically performed better than thoroughbreds
- Spring meets, especially for thoroughbreds, are financially disastrous
- Year to year consistency in product offer has been rare
- Summer and especially fall presents opportunities to maximize handle, dependent upon horse availability.

5.2.2 — Prairieland Exhibition Association Corporation

As mentioned in a previous section, horse racing is Prairieland Exhibition Association's major product offer. Until 1987, the facilities at Prairieland for horse racing (Marquis Downs) were superior to Regina Exhibition Association. Saskatoon's grandstand was replaced with new facilities in 1969. Since 1969 various additions (Terrace Room) and other improvements have been made to the facility.

Table 29 displays Marquis Downs historical financial performance with horse racing. This table presents three statements of net operating revenues (losses). The first statement is somewhat similar to Regina's in that horse racing has historically, with a few exceptions, resulted in a net operating loss. In 1988 the track was operated privately and as a result no operating data is available for that year. However, it is reasonable to estimate that the track operator that year lost approximately $600,000, which would bring the total cumulative loss on horse racing operations in Saskatoon to $1.6 million.

There are major differences between Regina and Saskatoon in terms of financial reporting. In Regina's case depreciation and interest are not charged to horse racing operations. Rather, in Regina's case these costs show up in REAL's balance sheet and are not directly charged to racing. In order to make a fair comparison between Regina's and Saskatoon's racing operations, these costs should not be included in Saskatoon's financial statements. Since 1982, depreciation and interest charged against Marquis Downs are as shown in Table 30.

By deleting depreciation and interest charges, Marquis net revenue improves significantly. Currently these charges are now (1989) close to $200,000 a year.

TABLE 30

Historical Financial Performance for Horse Racing at Marquis Downs

	Revenue	Expenses	Net Revenue	Cumulative Loss	Net Revenue Excluding Depreciation and Interest	Net Revenue Excluding Depreciation Plus Net Concession Revenue	Cumulative (Loss) Profit
1987	$ 2,759,926	$ 2,926,042	$(166,116)	$(1,047,743)	$ (4,646)	$ 154,154	$ 39,584
1986	2,219,784	2,860,573	(640,789)	(881,627)	(495,504)	(459,119	(114,570)
1985	2,305,319	2,576,069	(270,750)	(240,838)	(147,400)	(53,000)	344,549
1984	2,566,043	2,646,878	(80,835)	29,912)	38,422	105,137	397,549
1983	3,015,261	3,074,846	(59,585)	110,747	22,665	85,865	292,412
1982	3,070,668	2,903,805	166,863	119,174	262,663		206,547
1981	3,054,982	3,087,882	(32,900)	(56,116)			(56,116)
1980	1,662,332	1,641,641	20,691	(23,216)			(23,216)
1979	1,751,414	1,816,379	(64,965)	(43,907)			(43,909)
1978	1,864,334	1,848,521	15,813	21,058			21,058
1977	1,814,585	1,809,340	5,245	5,245			5,245

TABLE 31

Depreciation and Interest Charges -- Marquis Downs

	Depreciation	Interest	Total
1987	$ 105,750	$ 55,720	$ 161,470
1986	88,435	56,850	145,285
1985	76,650	46,700	123,350
1984	68,492	50,765	119,257
1983	43,600	38,650	82,250
1982	36,600	57,200	95,800

For 1989, Marquis Downs also acquired both operational and financial responsibility for concession, food and beverage sales. These operations invariably yield a net profit. Prior to this time, the net profit generated by concessions was not recorded, as it is in Queensbury's case as part of racing's overall operations. The following table displays net operating revenues that have been generated by Marquis Downs' concessions from 1983 to 1987.

TABLE 32

Net Concession Revenue -- Marquis Downs

	Gross Revenue	Expenditures	Net Revenue
1987	$ 590,000	$ 431,200	$ 158,800
1986	562,385	526,000	36,385
1985	428,000	333,600	94,400
1984	384,500	217,785	66,715
1983	331,000	287,800	63,200

With the inclusion of concession net revenue at Marquis Downs, with the exception of 1988 when the track was operated privately, there was really only one year where the track incurred extremely high losses, which was 1986. Based on the calculated exclusion of depreciation and interest and the inclusion of net revenue from concessions, Marquis Downs has really experienced a cumulative net profit on operations of almost $40,000 over the period 1977 to 1987.

Lastly, it should also be remembered that these figures do not include net revenue generated by Nevada sales made at the track which go directly to Prairieland.

As in Regina's case we have prepared an historical analysis of Marquis Downs' operations as shown in Table 32. In 1979, the handle for both harness and thoroughbred dropped from previous years resulting in a net loss. This was largely the result of harness racing. The opening of Sandown track also impacted on Marquis and a significant reduction in the harness meet. The reduction in the number of race days resulted in Marquis not being able to maximize revenues over the racing season.

The year 1981, as in the case of Regina, saw the introduction of micro-tote betting equipment having a major impact on Marquis Downs. The race track experienced its most profitable year ever in horse racing in 1982. It was also the historic high for thoroughbred racing in Saskatoon with a $10.0 million handle. In 1986, to accommodate the construction of Queensbury, Marquis offered a greatly reduced thoroughbred meet. The result was disastrous, with Marquis - Prairieland sustaining its greatest loss yet on racing operations.

In 1987, with the opening of Queensbury, Marquis offered an all-thoroughbred meet and the financial performance of the track improved. The increase in simulcast races over 1986 also improved the track's financial performance. The year 1988 was a disastrous one for the Wright family who operated Marquis Downs. The shortest thoroughbred meet in Marquis Downs' history was offered. A low thoroughbred handle coupled with the agreement made with Prairieland Exhibition, the operator sustained a substantial loss. In addition a winter harness meet in Regina also impacted negatively on Marquis Downs. Marquis Downs estimates that a substantial portion of its 1988 financial loss was due to winter harness racing in Regina. Marquis does not normally pay commissions on its simulcast races. During the winter harness meet they were paying 50% commission on live days and 25% on dark days. The increased harness meet also reduced rebates and lowered purses for thoroughbreds. Marquis Downs calculated that the winter harness meet attributed to almost $400,000 to their total loss for that year.

TABLE 33

Historical Data by Breed for Horse Racing in Saskatoon

	Harness					Thoroughbred					Total	
	Live Days	Total Live Handle	Daily Live Handle	Simulcast Handle	Total Handle	Live Days	Total Live Handle	Daily Live Handle	Simulcast Handle	Total Handle	Total Handle	Net Revenue from Track Operations
1977	31	$1,788,428	$57,691	$ -	$1,788,428	59	$5,620,684	$ 95,266	$ -	$5,620,784	$ 7,409,112	$ 5,245
1978	25	1,240,165	49,607	-	1,240,165	60	6,056,895	100,948	-	6,056,895	7,297,060	15,813
1979	16	774,346	48,397	-	774,346	53	5,870,648	110,767	-	5,870,648	6,644,999	(64,965)
1980	29	1,568,775	54,096	-	1,568,775	42	6,616,092	157,326	-	6,616,092	8,184,867	20,691
1981	28	1,767,272	63,117	-	1,767,272	57	9,521,912	167,051	-	9,521,912	11,289,184	(32,900)
1982	30	2,529,262	84,309	-	2,529,262	57	9,999,520	175,430	-	9,999,520	12,528,782	262,663
1983	42	3,403,9683,	81,047	-	3,403,988	48	6,798,519	141,636	-	6,798,519	10,202,487	85,865
1984	41	3,326,188	81,128	-	3,325,188	47	5,849,827	129,467	-	5,849,827	9,176,015	105,137
1985	36	2,858,352	79,399	-	2,858,352	52	5,479,895	105,383	-	5,479,895	8,338,247	(53,000)
1986	66	4,345,648	65,843	912,170	5,257,818	37	3,892,917	105,214	85,625	3,978,542	9,236,360	(459,119)
1987	Nil	-	-	1,992,727	1,992,727	78	6,559,453	84,096	194,363	6,753,816	8,746,543	154,154
1988	44	2,413,322	54,848	2,270,515	4,691,837	38	2,930,252	77,112	434,235	3,364,587	8,056,324	(600,000)

There is one singular lesson to be learned from this historical review of Marquis Downs' operations and that is Marquis Downs "sinks or swims" on the basis of its thoroughbred meets. Those meets must also be held in the summer/fall season and the longer the thoroughbred season the better are the financial results for Marquis. While not necessarily a "lesson", Queensbury Downs, on at least two occasions, 1986 and 1988, has significantly impacted in a negative way on the financial performance of Marquis Downs.

5.3 Comparative Financial Analysis

This section explores, in detail, the operating revenues and expenditures for Saskatchewan's two major race tracks. It is largely based on 1989 budgetary data. It does not include financial support received from the Government of Saskatchewan for purse stabilization in 1989. Both tracks have several differences in the way in which they report financial data for their respective racing operations. As a result several adjustments had to be made in order to develop a comparable set of financial statements. In both cases revenue is overstated relative to the performance of the current season. Projected revenues have exceeded actual revenues for both tracks. However for purposes of comparing the financial structure of both tracks this is immaterial. A latter section will prepare a breakeven analysis. At this point we are attempting to develop comparative data for both tracks in order to determine if there are any major differences in the way in which the two tracks conduct the business of operating a race track.

Revenue Analysis

The following table presents the revenue composition for each track.

TABLE 34

Comparative Budgetary Revenues

	Marquis		**Queensbury**	
Track Commissions	$ 1,198,796	63.5%	$ 1,806,780	65.5%
Grants	431,337	22.9%	590,890	21.4%
Admission	146,991	7.8%	178,120	6.4%
Program Sales	79,799	4.2%	126,390	4.6%
Other Revenue	30,275	1.6%	57,920	2.1%
	$ 1,887,198	**100.0%**	**$ 2,760,100**	**100.0%**
Number of Race Days	**79**		**108**	
Revenue Per Race Day	**$ 23,889**		**$ 25,556**	

The composition of revenue for both tracks is similar with commissions accounting for 63% to 65% of total track revenue and grants (Provincial Pari-Mutuel Tax Rebate through the Racing Commission) accounting for 21% to 23%.

Prior to 1989, corporate sponsorships for both tracks accounted for a very small portion of total revenue. Saskatchewan has only two professional sports, football and horse racing. Professional football has been very successful in gaining corporate support while horse racing has not. Arguably, horse racing is in a relatively good position to obtain corporate sponsorships. The following table compares horse racing attendance with the attendance of other major Saskatchewan events. As shown in this table horse racing is one of the best attended events in Saskatchewan. This is the type of information corporate sponsors seek in terms of the relative distribution of sponsorship dollars because they are seeking to maximize the impact of their sponsorship.

TABLE 35

Market Impact of Horse Racing

Event	Attendance
Saskatchewan Roughriders	240,000
Horse Racing	220,000
Buffalo Days	215,000
Canadian Western Agribition	130,000
Moose Jaw Air Show	52,000
Big Valley Jamboree	50,000
Western Canada Farm Progress Show	32,000

Given the industry's current circumstances, as well as negative media, a low level of corporate sponsorship is understandable. However even with the future of horse racing being openly discussed in 1989, Saskatoon was able to acquire almost $70,000 in corporate sponsorship. With an announcement that horse racing does indeed have a future and considerable pre-planning of 1990 race dates and an exciting race program, it would not be unreasonable to suggest that both tracks could each achieve a $100,000 corporate sponsorship program. Corporate sponsorships can also impact positively on attendance through information in the sponsoring company's internal newsletters. In order to achieve this level of corporate sponsorship, the tracks would have to approach sponsors well in advance of the 1990 season with a very professional presentation of demographic and market data that described the market impact of horse racing.

As shown at the bottom of Table 35, Queensbury generates a higher per race day revenue, based on 108 race days ($25,556) than Marquis Downs on a 79 day race meet ($23,889).

Expenditure Analysis

The following table presents the expenditure composition for each track.

TABLE 36

Comparative Budgetary Expenditure

	Marquis		Queensbury	
Labour	$ 546,445	23.9%	$ 739,235	23.7%
Purses	710,377	31.0%	1,168,330	37.6%
Tote	178,900	7.8%	209,270	6.7%
Other[1]	655,956	28.7%	995,999	32.0%
Depreciation & Interest	197,057	8.6%	--	0
	$ 2,288,735	**100.0%**	**$ 3,113,324**	**100.0%**
Without Depreciation and Interest	**$ 2,091,678**		**$ 3,113,324**	
Number of Race Days	**79**		**108**	
Per Race Day	**$ 28,971**		**$ 28,827**	
Without Depreciation and Interest	**$ 26,477**		**—**	

The costs of operating Marquis are lower (30%) than Queensbury. On a per day race basis Marquis Downs costs are 8% lower than Queensbury's. While costs such as tote equipment and purses will vary with the number of race days presented, a significant portion of labour and other costs are relatively fixed regardless of the number of race days operated.

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[1] Other refers to expenditures such as commissions, utilities, cost of promotions and programs, telephone, audio/video and other backstretch costs such as garbage removal.

Queensbury runs a relatively more expensive race operation than does Marquis. Labour costs are 26% higher. A high proportion of that labour cost is fixed. Obviously labour costs such as security will vary with the number of race days presented. However, Queensbury has a much higher backstretch labour cost than Marquis ($255,295 to $115,000).

Purse costs are also higher than Marquis Downs. Queensbury pays a commission on its simulcasting to the horsemen, while Marquis does not. Payments to the horsemen for live racing are also higher at 54% for Queensbury compared to 50% for Marquis.

Breakeven Analysis

Horse racing operations at both tracks do not breakeven. In other words horse racing, as a standalone operation does not generate enough revenue to cover expenses as shown in the following table:

TABLE 37

Comparative Net Operating Revenues
(Racing Operations Only)

1988 - 1989

	Marquis	**Queensbury**
Gross Revenue	$ 1,887,198	$ 2,760,100
Gross Expenditure	2,091,678	3,113,324
Net Profit (Loss)	**$ (204,480)**	**$ (353,244)**
Per Race Day	**$ (2,588)**	**$ (3,271)**

This table shows that for every live race run Marquis loses $2,588 and Queensbury $3,271 or almost $700 a day more than Marquis.

In this table we have not included depreciation and interest as part of Marquis Downs' gross operating costs. This was done in order to make for a more comparable analysis with Queensbury. Largely because of Queensbury's high cost structure, a larger operating loss results for Queensbury.

The following table includes net revenues from food, beverage, concessions and parking:

TABLE 38

Comparative Net Operating Revenue for Entire Racing Operation Including Food, Beverage, Concessions and Parking
1988 - 1989

	Marquis	**Queensbury**
Food Beverage, Concession		
Gross Revenue	$ 657,525	$ 685,692
Gross Expenditure	457,031	465,277
Net Revenue	$ 200,494	$ 256,176
Net Revenue Racing Operations	(204,480)	(353,224)
Total Net Revenue (All Operations)	$(3,986)	$(97,048)

The foregoing revenue analysis does not include net revenue from Nevada sales which are estimated to be $15,000 for Marquis and $64,000 for Queensbury. When net revenue from Nevada sales is included, a modest net profit of $11,000 for Marquis results and Queensbury's loss is reduced to $33,000.

Unfortunately, budgeted projections for both tracks were not realized for 1989. Very likely both tracks will lose $100,000 each for 1989. This is largely the result of lower handles than what were projected for 1989.

Based on historical performance a loss of $100,000 is not that bad. However, the industry received $650,000 in purse support for 1989. If the same level of purse support is not available for 1990, and if the two tracks attempted to keep purse levels at the same level for 1990 as was the case for 1989, operating losses would be substantial. The only way that the tracks could reduce those losses would be to increase simulcasting which, unlike the live product, produces a positive net margin of 26% and cut live race days which have a negative net margin. This would be particularly the case for Queensbury Downs, as it currently incurs a greater per race day loss than in the case of Marquis Downs.

While the option of reducing race days is appealing from the track operator's perspective, it is not an appealing option for the horsemen. A reduced race season means a reduced opportunity for the horsemen to recoup their investment in racing stock.

Clearly horse racing in its present form is not viable for either the track operators or the horsemen. Handles have continued to decline and at best the most positive assumption is that they will not decline any further. Without the injection of $650,000 in purse support the industry is clearly not viable. Continuous support of this nature is also not likely for the industry. The only real alternative on which to base horse racing for the near term is to reduce costs. This means reducing live race days and increasing simulcasting. Unfortunately this will impact negatively on breeding which could lead to the collapse of one of the two breeds in Saskatchewan.

Very likely this could mean an end to harness racing for the following reasons:

(1) Handles for harness racing are 20% lower than thoroughbred.

(2) Ownership and foal production for harness horses are currently lower than thoroughbred.

(3) Race fans in both Saskatoon and Regina prefer thoroughbreds over harness.

(4) Net revenues for thoroughbreds, while negative, are better than for harness racing.

Unfortunately, Saskatchewan's horse racing industry is presented with some very drastic alternatives at this point. In its present form the industry is simply not viable.

The following chapter examines the market characteristics for horse racing and identifies the market available upon which the industry might realistically address the goal of financial viability.

6.0 CURRENT MARKET POSITION

The purpose of this chapter is to clearly outline the current market position of the horse racing industry in Saskatchewan. In order to fulfill this purpose, this section must provide an analysis of horse racing's historical market performance, provide a profile of current patrons, identify the horse racing product's position versus sports/entertainment products, and identify its position versus other gambling products.

6.1 Historical Market Performance

Horse racing has experienced a 35% growth in attendance in the province in the five year period from 1984 to 1988. Growth at Queensbury Downs has been far more dramatic and volatile than growth at Marquis Downs in the city of Saskatoon. Attendance at Regina's track has increased by 77% since 1984 while attendance at Marquis Downs has been fairly level, at 4.3%. The addition of a new facility at Regina has no doubt influenced attendance growth in this city. The yearly attendance in both cities, and the year to year variation is detailed in Table 39.

TABLE 39

Attendance at Horse Racing in Saskatchewan
1984 to 1988

	Regina	% Change	Saskatoon	% Change
1984	68,141	-16.7%	91,386	-10.7%
1985	56,778	-37.9%	81,635	+ 4.8%
1986	35,249	+174.0%	85,554	- 4.4%
1987	96,586	+24.9%	81,794	+16.5%
1988	120,631		95,277	

Based on the above figures, the average annual growth rate of Regina's attendance is 36.1% over the five year period while Saskatoon's average rate was 1.55%.

While attendance is on the increase, handle has decreased by 15.3% in the province since 1984. Regina's handle has increased by 19.0% since 1984 while the handle at Marquis Downs has decreased by 41.7%.

Table 40 below shows the total handle of each track over the five year period under examination When the variance in handle from year to year is examined, the average annual growth rate at Regina's track is calculated at 14.7% while the equivalent figure for Saskatoon's track is negative 12.3%.

TABLE 40

Growth in Total Handle
1984 to 1988

	Regina	% Change	Saskatoon	% Change
1984	$7,050,308	-13.7%	$9,176,015	- 9.1%
1985	6,082,815	-37.6%	8,338,247	- 1.2%
1986	3,797,644	+99.5%	8,238,565	-20.3%
1987	7,579,999	+10.7%	6,559,453	-18.5%
1988	8,390,894		5,343,574	

The product of the previous two analyses will enable us to track the growth in the per attendee bet over the past five years at each track. This is illustrated in Table 41.

TABLE 41

Per Capita Bet
1984 to 1988

	Regina	% Change	Saskatoon	% Change
1984	$ 103.47	+ 3.5%	$ 100.41	+ 1.7%
1985	$ 107.13	+ 0.6%	$ 102.14	- 5.7%
1986	$ 107.73	-27.2%	$ 96.30	-16.7%
1987.	$ 78.48	- 4.3%	$ 80.19	+ 5.5%
1988	$ 75.80		$ 84.56	

Regina's per capita handle has dropped by 26.7% since 1984 while Saskatoon's dropped by 15.8%.

In terms of putting the Saskatchewan industry's historical market performance in perspective, we have compared historical attendance, handle, and per capita bet generated over the past five years with our Saskatchewan findings.

Table 42 below shows a comparative, historical analysis of attendance at various race tracks. Out of the nine tracks examined across the country, Regina has the highest average annual growth rate while Saskatoon ranks third.

Table 43 below provides details on a comparative, historical analysis of the handle generated at various race tracks across the country. Regina's average growth rate in handle over the five year period is the highest out of the nine tracks examined, surpassing even Woodbine in Toronto. This was largely due to the opening of Queensbury Downs and a continuing expansion to the length of the race season in Regina. Saskatoon's track shows the worst growth in total handle out of the nine tracks examined over the five year period.

With respect to per capita bet growth over the past nine years, Regina and Saskatoon place eighth and ninth respectively out of nine tracks. Since the year 1987, Regina and Saskatoon have generated the lowest per capita bet out of the nine tracks examined.

Regina's and Saskatoon's comparatively good growth in attendance over the past five years as identified in Table 42 seems to have put it on par or slightly ahead of the major metropolitan centres with respect to penetration. In Table 45, penetration is measured by the percentage of a given metropolitan area that attends its track on an average race day. As can be observed in the chart, Regina and Saskatoon are equally well-penetrated at 0.6%. This puts Saskatchewan's tracks ahead of Calgary, Winnipeg, Toronto, Montreal, and St. John's but behind Vancouver, Edmonton and Saint John. Perhaps the relative lack of entertainment options in Saskatchewan compared to these other major metropolitan centres places our two cities ahead in terms of penetration. However, this depends on whether or not horse racing is considered a sport, a form of entertainment, or a type of gambling. We will gain a better understanding of this perception in a later section of this chapter.

You will note in Table 45 that a number of small communities achieve very high penetration rates per race day. This is due to the fact that despite their small population base, when races are hosted, they tend to have a regional rather than simply local appeal. Additionally, there are often very few race days operated in these communities, resulting in a degree of pent-up demand.

TABLE 42

Comparative Growth in Attendance
1984 - 1988

Year	Calgary	Edmonton	Winnipeg	Vancouver	Toronto Greenwood	Toronto Woodbine	Montreal	Regina	Saskatoon
1984-85	-10.6%	- 4.5%	N/A	+14.7%	-14.6%	- 1.2%	- 1.2%	-16.7%	-10.7%
1985-86	- 5.6%	+ 2.8%	- 4.9%	-15.7%	+ 3.3%	- 3.1%	- 4.7%	-37.9%	+ 4.8%
1986-87	+ 3.9%	- 9.3%	- 5.5%	- 0.8%	+ 7.3%	+ 1.7%	- 3.5%	+174.0%[1]	- 4.4%
1987-88	- 0.9%	- 1.9%	- 8.4%	- 3.0%	- 3.1%	+ 5.4%	- 6.5%	+24.9%	+16.5%
Average	- 3.3%	- 1.0%	- 1.0%	- 1.2%	- 1.78%	+ 4.4%	- 4.0%	+36.1%	+ 1.6%

Source: Agriculture Canada.

Note: These statistics reflect the construction of Queensbury Downs. The year prior to the opening of Queensbury Downs in Regina was only a partial race season due to the construction of new facilities.

TABLE 43

Comparative Growth in Handle
1984 - 1988

Year	Calgary	Edmonton	Winnipeg	Vancouver	Toronto Greenwood	Toronto Woodbine	Montreal	Regina	Saskatoon
1984-85	- 4.2%	- 4.9%	N/A	+11.6%	-11.0%	+18.7%	- 5.5%	-13.7%	- 9.1%
1985-86	- 6.3%	+ 7.5%	+11.0%	-11.0%	+13.4%	+ 6.1%	- 2.6%	-37.6%	- 1.2%
1986-87	+ 3.8%	- 8.5%	+ 2.1%	+ 1.3%	+15.8%	+12.1%	- 1.8%	+99.5%[1]	-20.3%
1987-88	- 2.5%	+ 4.8%	- 2.2%	+ 0.6%	+ 7.7%	+13.5%	+ 8.6%	+10.7%	-18.5%
Average	- 2.3%	- 0.3%	+ 3.6%	+ 0.6%	+ 6.5%	+12.6%	- 0.3%	+14.7%	-12.3%

Source: Agriculture Canada.

[1] See footnote Table 42 re: construction of Queensbury Downs.

TABLE 44

Per Capita Bet — Comparative Analysis
1984 - 1988

Year	Winnipeg	Calgary	Edmonton	Vancouver	Toronto Greenwood	Toronto Woodbine	Montreal	Regina	Saskatoon
1984	$91.66	$146.88 +7.1%	$141.86 -0.5%	$142.44 -2.7%	$156.41 +4.2%	$163.96 +4.4%	$147.33 -4.4%	$103.47 +3.5%	$100.41 +1.7%
1985	N/A +16.6%	$157.38 -0.8%	$141.22 +4.6%	$138.55 +5.6%	$163.02 +9.8%	$171.12 +9.5%	$140.91 +2.2%	$107.13 +0.6%	$102.14 -5.7%
1986	$106.89 +8.0%	$156.10 -0.1%	$147.68 +0.8%	$146.33 +2.1%	$179.03 +8.0%	$187.33 +0.3%	$144.02 +1.8%	$107.73 -27.2%	$96.30 -16.7%
1987	$115.47 -6.8%	$155.87 -1.6%	$148.91 +6.9%	$149.46 +3.7%	$193.29 +11.1%	$206.61 +7.5%	$146.59% +16.1%	$78.48 -4.3%	$80.19 +5.5%
1988	$123.29	$153.35	$159.17	$155.06	$214.72	$222.65	$170.25	$75.80	$84.56
Average	+5.9%	1.15%	+2.95%	+2.2%	+8.3%	+8.0%	+3.9%	-6.7%	-3.9%

Source: Agriculture Canada.

TABLE 45

Penetration Per Race Day in Various Canadian Communities

LOCATION	ATTENDANCE	RACE DAYS	POPUL.	PENETRATION
Cloverdale, B.C.	335,892	124		
Kamloops	12,173	16	61,773	1.2%
Osoyoos	5,003	4	2,956	42.3%
Princeton	2,341	2	2,910	40.2%
Sydney	123,635	69		
Vancouver	842,595	123	431,147	1.6%
Vernon	11,851	9	20,241	6.5%
Calgary, Alberta	490,955	175	636,104	0.4%
Coronation	891	2	1,310	34.0%
Edmonton	643,582	173	573,982	0.7%
Grande Prairie	6,180	17	26,471	1.4%
Hobbema	215	2		
Lethbridge	43,097	31	58,841	2.4%
Medicine Hat	2,075	3	41,804	1.7%
Millarville	5,550	2		
Milo	3,000	2	117	
Red Deer	2,850	5	54,425	1.0%
Trochu	1,350	2	892	75.7%
Trout Springs	10,123	18		
Vegreville	800	2	5,276	7.6%
Winterburn	9,898	19		
Melville, Saskatchewan	675	3	5,125	4.4%
Regina	117,458	117	174,065	0.6%
Saskatoon	93,677	82	177,640	0.6%
Yorkton	2,641	2	15,575	8.5%
Carberry, Manitoba	2,010	2	1,544	65.1%
Carman	3,700	2	2,500	74.0%
Deloraine	3,030	2	1,134	133.5%
Glenboro	4,940	4	719	171.8%
Holland	3,319	3		
Killarney	5,585	3	2,318	80.3%
Miami	3,090	3		
Minnedosa	2,020	2	2,520	40.1%
Portage La Prairie	3,930	4	13,198	7.4%
Pilot Mound	3,890	3	819	158.3%
Rossburn	1,790	2	664	134.8%
Virden	1,300	2	3,054	29.5%
Wawanesa	1,470	2	502	146.4%
Winnipeg	460,423	208	594,551	0.4%

TABLE 45 — Penetration Per Race Day in Various Canadian Communities (Continued)

LOCATION	ATTENDANCE	RACE DAYS	POPUL.	PENETRATION
Ancaster, Ontario	1,260	2	17,264	3.6%
Barrie	129,998	110	48,287	2.5%
Beansville	1,097	4		
Belleville	18,611	25	36,041	2.1%
Binbrook	730	2		
Brockville	700	2	20,880	1.7%
Brooklin	602	1		
Buford	26	1	5,227	0.5%
Caledonia	300	1	1,375	21.8%
Campbellville	839,732	119		
Clinton	15,698	14	3,124	35.9%
Dorchester	2,016	3		
Dresden	69,529	57	2,573	47.4%
Elmira	48,615	50		
Flamboro	442,413	215	26,142	7.9%
Fort Erie	386,833	95	23,253	17.5%
Fraserville	65,913	48		
Goderich	8,967	11	7,352	11.1%
Hanover	32,118	31	6,414	16.2%
Kingston	49,179	87	55,050	1.0%
Leamington	18,012	20	12,828	7.0%
London	266,415	139	269,140	0.7%
Manitowaning	1,689	1		
Markham	749	2	114,597	0.3%
Melbourne	160	1		
Norwood	265	1	1,265	20.9%
Oshweten	300	1		
Orangeville	121,262	106	14,440	7.9%
Orilla	250	1	24,077	1.0%
Orono	645	1		
Ottawa	192,870	105	300,763	0.6%
Paris	600	1	7,898	7.6%
Parkhill	150	1	1,390	10.8%
Perth	420	1	5,673	7.4%
Port Perry	411	1		
Ridgetown	130	1	3,140	4.1%
Rodney	85	1	1,020	8.3%
Sarnia	91,303	50	49,033	3.7%
Simcoe·	1,314	4	14,290	2.3%
Smithville	195	1		
South Mountain	940	3		
Spencerville	470	1		
Strathroy	100	1	9,045	1.1%
Sudbury	61,559	69	88,717	1.0%
Sutton	621	1		

TABLE 45 — Penetration Per Race Day in Various Canadian Communities (Continued)

LOCATION	ATTENDANCE	RACE DAYS	POPUL.	PENETRATION
Tillsonburg	402	1	10,745	3.7%
Toronto - Greenwood	1,551,099	193	3,520,800	0.2%
Toronto - Woodbine	1,281,722	140	3,520,800	0.3%
Wallacetown	150	1		
Whitby	6,727	16	45,819	0.9%
Windsor	517,863	188	193,111	1.4%
Woodstock	18,300	15	26,386	4.6%
Aylmer, Quebec	157,438	114	28,976	4.8%
Jonquiere	33,042	54	58,467	1.0%
Montreal	1,318,260	255	1,015,420	0.5%
Quebec City	253,212	162	164,580	0.9%
Trois Rivieres	97,026	92	50,122	2.1%
Fredericton, N. B.	19,685	38	44,352	1.2%
Moncton	50,980	91	55,468	1.0%
Saint John	66,126	105	76,381	0.8%
Woodstock	950	2	4,549	10.4%
Inverness, N. S.	7,748	27	11,864	1.6%
North Sydney	1,100	2	7,472	7.4%
Sydney	37,812	106	27,754	1.3%
Truro	57,914	107	12,124	4.5%
Charlottetown, P.E.I.	79,276	119	15,776	4.2%
Summerside	14,642	58	8,020	3.1%
St. John's, Nfld.	18,203	52	96,216	0.4%

Lastly, Table 46 shows that Saskatchewan performs poorly as measured by handle not only on a bet per race attendee basis, but also when total provincial handle is allocated across each and every household in the province.

Saskatchewan ranks third with respect to handle per household in the province, followed only by Nova Scotia and Newfoundland. Quebec, which is ranked next highest using the per household measure, has a total bet which is over two and one-half times higher than Saskatchewan's on this basis. Ontario exhibits the highest bet per household, at nearly seven times that of Saskatchewan.

TABLE 46

Total Bet per Household in Canadian Provinces

	Total	**$/Household**
Newfoundland	1,211,099	$ 7.40
Nova Scotia	11,816,786	38.82
New Brunswick	11,291,238	47.48
Prince Edward Island	7,221,665	172.63
Quebec	281,598,704	115.24
Ontario	1,059,856,704	313.86
Manitoba	57,698,666	147.16
Saskatchewan	16,506,803	45.14
Alberta	182,367,713	213.64
British Columbia	195,022,171	172.52

6.2 Profile of Current Patrons

6.2.1 — The Structure of the Patron Base

In this section, we will provide a comprehensive profile of race patrons in the province of Saskatchewan. This analysis utilizes four main elements of our research design, including:

- a telephone survey of a random sample of 200 households in each of Regina and Saskatoon
- on-track surveys of patrons in Regina and Saskatoon
- a postal code analysis of entrants in the Festiva car draws
- a telephone survey of entrants of the Attend and Win sweepstakes draw.

The profile will examine the Saskatchewan race patron from a number of perspectives, including frequency of attendance, demographic and socioeconomic activities, betting behaviours, attitude towards the product, and geographic origin.

At Least One-Fifth of Reginans and Saskatoonians Aged 19 and Over Attend Racing Each Year

Based on a random telephone survey of Regina and Saskatoon residents, 23.9%, and 21.7% of persons aged 19 and over in each respective city attend horse racing each year. In Regina, this translates into 30,797 individuals while in Saskatoon, the result is 30,114 people.

Based on these figures, 60,911 people in Regina and Saskatoon are generating 215,908 track visits. Taken at face value, this would mean that the average race patron visits the track 3.5 times per season. There is, however, a wide deviation from this average.

Just over 89% of race patrons indicated that they attended the race track occasionally. Based on the definition of "occasionally" used in our surveys, these individuals would attend that track at best two times per year. This would leave the other 11% of race patrons to provide 50% of the provincial race track attendance. Table 47 describes this calculation in greater detail.

TABLE 47

Calculation of the Distribution of Attendance Generated by Occasional and Non-Occasional Race Patrons

60,911	Number of individuals 19 and over Attending Racing
x 89.2%	% indicating that they attended Racing "Occasionally"
54,332	Occasional Race Patrons in Province
x 2	Average Number of Track Visits per Occasional Patron
108,664	Attendance Generated by Occasional Patrons
215,908	Total Provincial Race Track Attendance
-108,664	See Above
107,244	Attendance Generated by Non-Occasional Patrons (or 49% of Total Attendance)
÷ 6,579	Non-Occasional Race Patrons
16.3	Visits per Non-Occasional Race Patrons

Therefore, a core race patron exists which is extremely important to the industry. Nearly 6,600 individuals in Regina and Saskatoon generate very nearly 50% of total attendance at tracks in these two cities. An obvious strategy which will arise later in this report is to nurture and build on this core group of fan support. After all, the loss of an "occasional patron" results in a decrease of two patron-days of attendance. However, the loss of a non-occasional or core fan translates into the loss of over 16 patron-days. The impact of this core group becomes even more significant when we examine betting behaviours.

The Core Group is Responsible for 63.9% of the Provincial Handle

We saw earlier that the non-occasional or core race attendee, which makes up only 10.8% of all race patrons in the province, is responsible for 50% of total track attendance. Based on on-track surveys which indicated that the occasional patron wagers $38.75 per race card and that the non-occasional patron bets $69.42 per race card, this non-occasional group accounts for 64% of the total provincial handle.

To restate this staggering finding, 6,579 individuals in this province generate 50% of total track attendance and 64% of wagering activity. In other words, members of this core group, on average, bet $1,331.90 each at the tracks in 1988. Compared to occasional patrons' annual wagers of $77.50, the need to place an emphasis on retaining the core group, and converting occasional attenders to members of the core group is readily apparent.

Horse Racing is Losing Its Core Base of Support

The urgency to implement the above-noted market strategy is illustrated even more clearly when we examine the historical attendance patterns of core patrons. While 59% of this core group commented in our on-track surveys that their attendance is staying the same, only 11% indicated increasing attendance as opposed to 30% which indicated decreasing frequency. The industry is therefore faced with the erosion of its all important core patron base unless more occasional attenders are converted to this core group. Although it is somewhat difficult to determine at what point in a patron's tenure at the track that he becomes a core patron, the members of this group that we interviewed had been attending racing for an average of 15 years. The conversion strategy, therefore, will likely be a long-term solution.

6.2.2 — Distribution by Socioeconomic/Demographic and Geographic Origin

The following analysis concentrates again on race patrons of Queensbury Downs in Regina and Marquis Downs in Saskatoon. The analysis not only provides information regarding the origin of visitors to each track, but also reveals their demographic and socioeconomic profile.

The key to this portion of our analysis is the draw stub from the Ford Festiva Promotion held at both Saskatchewan tracks. Draw entrants were asked to fill in their name and address in order to participate in the contest. Using postal code information obtained from the draw stubs, we were able to classify race-goers into one of thirteen lifestyle groups, which together broadly define seventy individual lifestyle or market segments. This was possible through the use of a sophisticated market research tool which links six-digit postal codes with census data and other useful information. The thirteen broad lifestyle groups employed in the following analysis are described in Appendix A.

The Cities of Regina and Saskatoon Differ Somewhat From a Socio-Economic/Demographic Perspective

The composition of the population of Regina and Saskatoon are somewhat different viewed from the perspective of the thirteen broad lifestyle groups. Understandably, both cities differ substantially from the population of Saskatchewan as a whole. Table 48 and Exhibit 2 illustrate the percentage distribution of the population, by lifestyle group, in each of Regina, Saskatoon and the Province of Saskatchewan.

TABLE 48

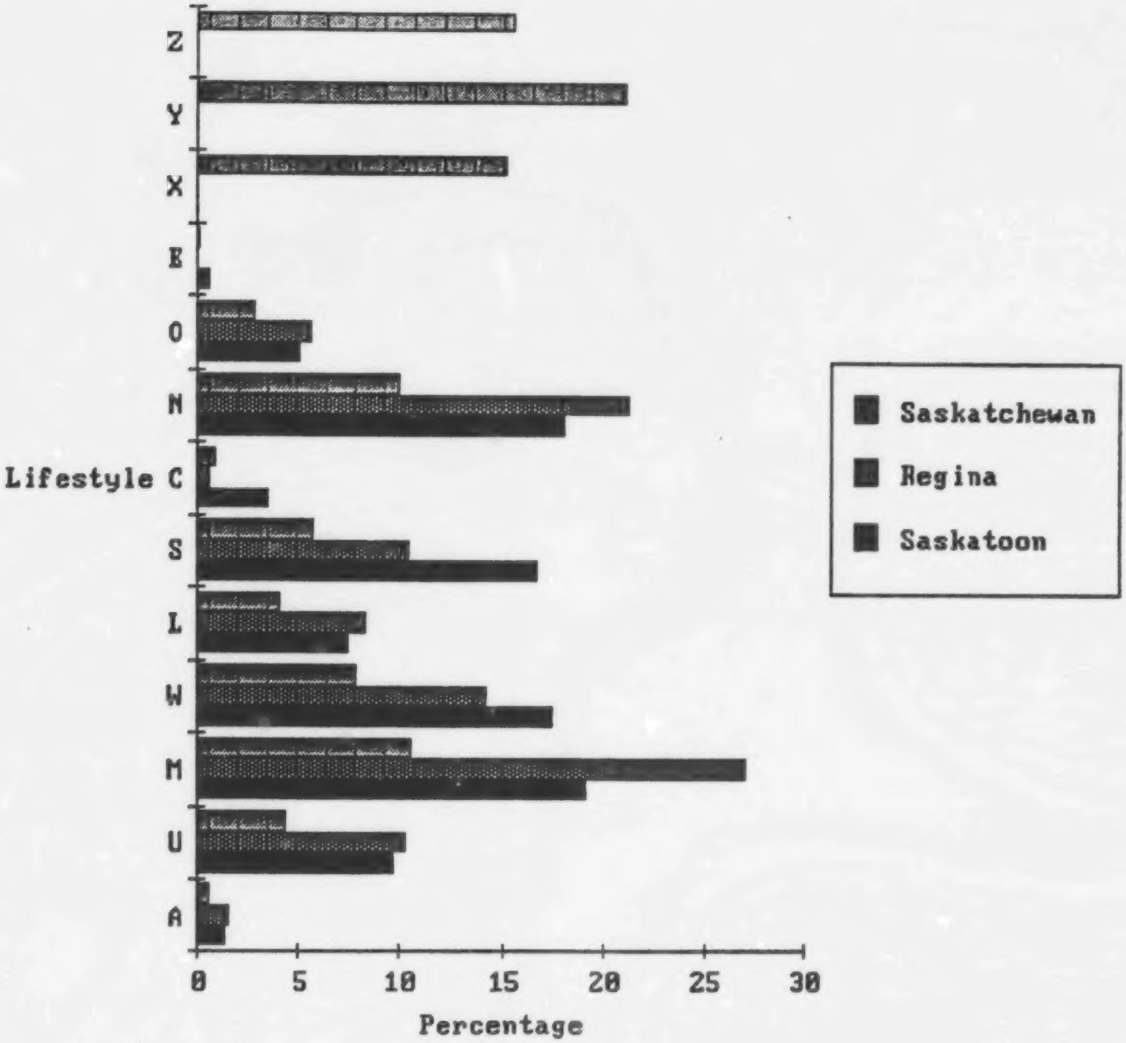
Composition of Saskatchewan's, Saskatoon's and Regina's Population by Major Lifestyle Groups

		Saskatoon	**Regina**	**Provincial Average**
A	Affluent	1.4%	1.6%	0.6%
U	Upscale	9.8%	10.3%	4.4%
M	Middle and Upper-Middle Class	19.2%	27.2%	10.6%
W	Working Class	17.6%	14.3%	8.0%
L	Low Income	7.5%	8.4%	4.2%
S	Young Singles	16.9%	10.5%	5.8%
C	Young Couples	3.5%	.7%	1.0%
N	Empty Nesters	18.2%	21.4%	10.1%
O	Old and Retired	5.2%	5.7%	2.9%
E	Ethnic	0.7%	-	0.2%
X	Upscale and Middle Class	-	-	15.3%
Y	Working and Lower Class	-	-	21.2%
F	Farming	-	-	15.7%

Note: See Appendix A for a complete description of the lifestyle groups.

EXHIBIT 2

Composition of Saskatchewan's, Saskatoon's and Regina's Population by Major Lifestyle Groups



The percentage distribution of the population differs substantially between the two cities and the province as a whole because the provincial figures include the three broad groups which describe households located in smaller urban and rural areas. Neither Group X, Group Y nor Group Z are found in the province's two major cities. Rather households belonging to these groups are found in urban centres of less than 30,000 in population, or rural areas. The Province's two largest centres contain a much greater concentration of middle or higher income households.

There are also some notable differences between Regina and Saskatoon. Regina has a much higher concentration of middle and upper class households (Group M). In fact, this is the single largest market segment (27.2%) in Regina. Nationally, only 15% of all households fit the profile of the upper middle/middle class household described as Group M in Appendix A. This likely results from the nature of Regina's employment base. Government and other institutional sectors are the city's major employers.

Regina is also characterized by a high proportion of empty nester households. These are households made up of people over the age of 55 whose children have grown up and left home. Their incomes are typically of the upper middle/middle class ($44,000), but without the cost of raising and educating children, they have more disposable income that can be directed towards entertainment.

Saskatoon's population exhibits a considerably higher percentage of young singles than does Regina's. The University of Saskatchewan's higher enrollment rate as compared to the University of Regina offers an explanation for this occurrence.

A thorough understanding of the province's markets, and especially those of Regina and Saskatoon is important to any market strategy formulation relevant to the horse racing industry. This provides an idea of the "lay of the land", and identifies demographic differences which will offer opportunities and problems in marketing the horse racing product.

Queensbury Downs and Marquis Downs are Equally Dependent on the Saskatchewan Market

Both of the province's major race tracks are equally dependent on Saskatchewan residents to provide virtually all of their attendance. Queensbury Downs draws 98% of its market from the province of Saskatchewan, while Marquis Downs receives 99% of its patrons from that source. (Refer to Table 49 for further detail.)

TABLE 49

Origin Distribution of Patrons at Both Major Saskatchewan Race Tracks

Origin	% of Queensbury Attendees Originating from	% of Marquis Attendees Originating from
International	0.03%	--
U.S.	0.20%	--
Nova Scotia	0.03%	--
Quebec	0.08%	--
Ontario	0.03%	0.01%
Manitoba	0.50%	--
Saskatchewan	98.00%	99.99%
Alberta	0.90%	0.79%
British Columbia	0.23%	0.20%
	100.00%	100.00%

Queensbury Downs is More Reliant on the Resident (Local) Market Than in the Case of Marquis Downs

Upon examination of Table 50 and Exhibit 2, we can determine that Queensbury Downs is slightly more dependent on local residents than is Marquis Downs. Just over 78% of Queensbury Downs race patrons reside in the City of Regina, while almost 75% of Marquis Downs attendees live in the City of Saskatoon.

Marquis Downs Draws a Higher Percentage of Visitation from Smaller Centres

Again, referring to Table 50 and Exhibit 3, it is readily apparent that Marquis Downs draws a greater proportion of its total attendance from smaller urban centres and rural areas than does the Queensbury facility. Marquis Downs draws 21% of its patrons from these less densely populated areas while the City of Regina receives only 14.5% of its attendance from areas of equal population density. It is interesting to note that the population within a 50 mile radius of the centre of Regina is 250,320 while the similar area surrounding Saskatoon contains 227,305 people.

TABLE 50

Saskatchewan Origin Distribution

Origin	% of Queensbury Attendees Originating from	% of Marquis Attendees Originating from
Small Communities and Rural Areas	14.5%	21.0%
Yorkton	0.1%	0.2%
Estevan	0.8%	-
Weyburn	1.6%	-
Regina	78.3%	1.4%
Saskatoon	0.2%	74.9%
Prince Albert	0.1%	2.3%
Moose Jaw	4.1%	-
Swift Current	0.3%	-
Lloydminster	-	-
North Battleford	-	0.2%
	100.0%	100.0%

Marquis Downs Draws a Substantially Larger Proportion of Farmers Than Does Queensbury Downs

Table 51 and Exhibit 4 examine the lifestyle distribution of Saskatchewan resident patrons of both of the province's major race tracks. Remember that Saskatchewan residents accounted for 98% of Queensbury's clientele and 99% for Marquis visitors. The attendance profile of Marquis Downs exhibits a higher proportion of farmers than does Queensbury's distribution. The percentage of young singles attendees is also higher in Saskatoon, testament to the higher number of university students in that city. Lastly Saskatoon attracts only one-half the proportion of upscales that Regina draws. This is in spite of the fact that this group accounts for close to the same percentage of the population in both cities. Perhaps a wider range of entertainment opportunities exists in Saskatoon which lures away the higher disposable income group. However, a number of explanations could exist which will be revealed through more in-depth analysis.

EXHIBIT 3

Saskatchewan Origin Distribution

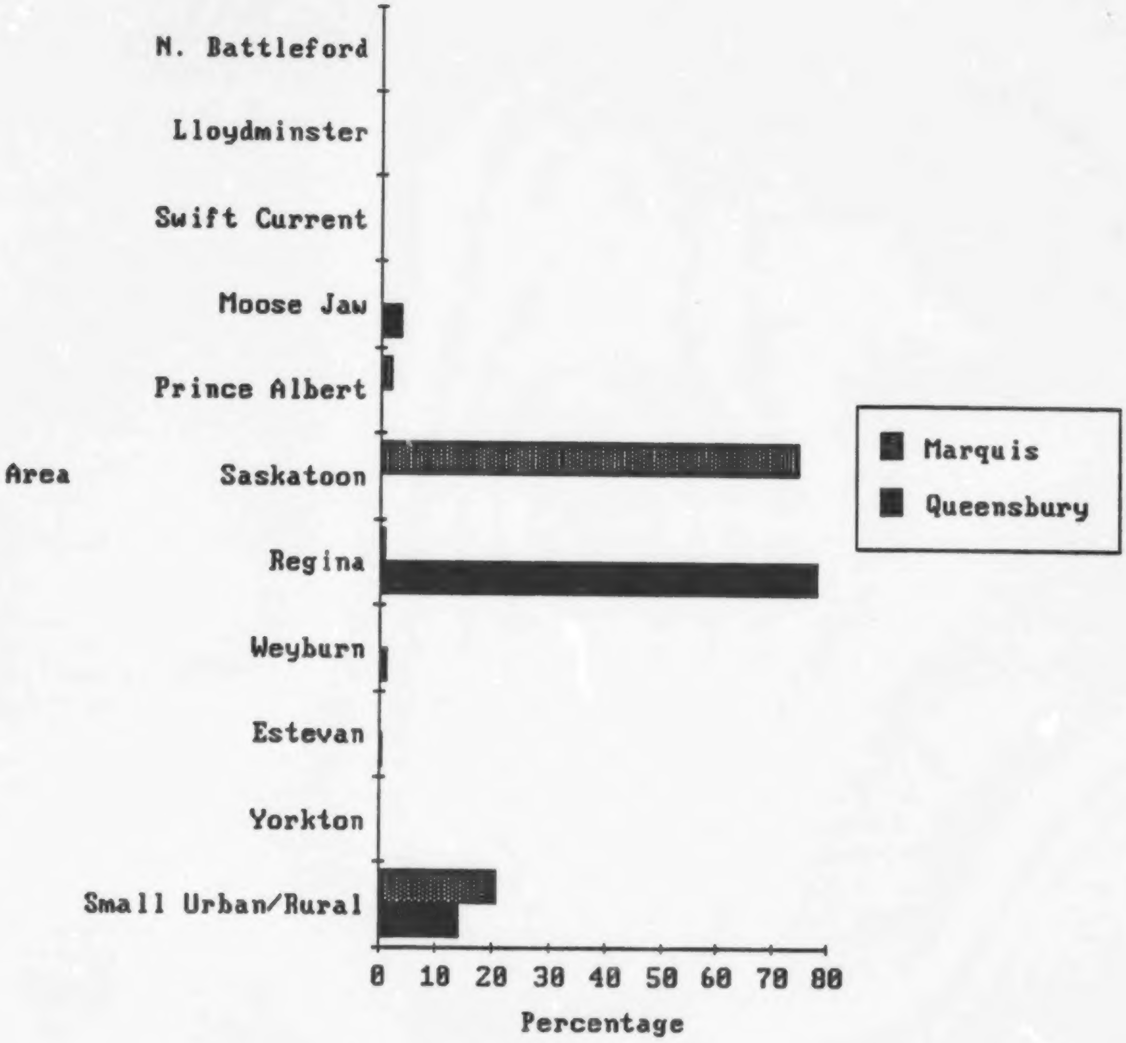


TABLE 51

Lifestyle Distribution of Saskatchewan-Based Race Attendees at Both Tracks

Lifestyle Group	Regina - Queensbury	Saskatoon - Marquis
A	1.5%	0.6%
U	12.7%	6.6%
M	21.0%	18.6%
W	9.9%	13.9%
L	8.6%	5.4%
S	5.0%	9.1%
C	1.2%	2.4%
N	21.9%	18.2%
E	-	-
O	3.6%	5.9%
X	4.9%	1.1%
Y	2.2%	5.0%
Z	7.5%	13.0%
	100.0%	100.0%

Notable Differences Also Occur When Only Regina and Saskatoon Residents are Profiled

It is important to probe even further in our analysis to profile specifically the Regina-based patrons of Queensbury Downs and the Saskatoon-based patrons of Marquis Downs. As revealed earlier, the residents of the two major cities account for three-quarters of race attendance at their respective tracks.

Table 52 and Exhibit 5 profile the lifestyle distribution of Regina-based patrons of Queensbury Downs and Saskatoon-based patrons of the Marquis facility. Again, Queensbury Downs attracts higher proportions of upscale and lower income households than does Marquis Downs while the young singles and old and retired account for a higher percentage of total Marquis attendance.

EXHIBIT 4

Lifestyle Distribution of Saskatchewan-based Race Attendees at Both Tracks

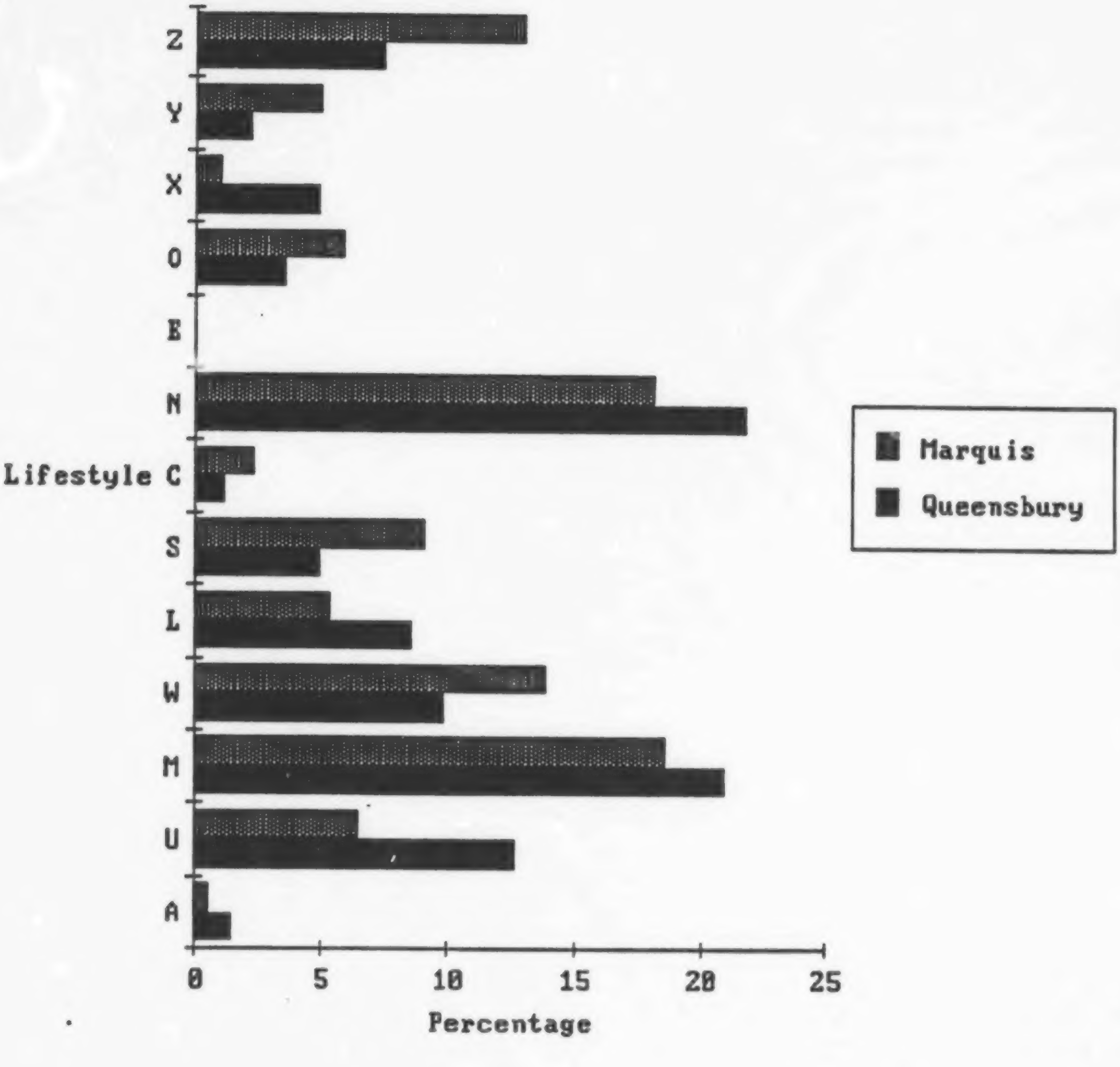


TABLE 52

Lifestyle Distribution of Attendees Based in Same City in Which Track is Located

	Regina - Queensbury		Saskatoon - Marquis	
	%	Penetration	%	Penetration
A	1.8%	113	0.7%	50
U	14.9%	149	8.5%	87
M	24.6%	90	23.8%	124
W	11.6%	81	13.5%	77
L	10.1%	120	7.0%	93
S	5.6%	53	11.7%	69
C	1.4%	200	3.2%	91
N	25.7%	115	23.6%	130
E	-	-	-	-
O	4.3%	75	7.7%	148
X	-	-	-	-
Y	-	-	-	-
Z	-	-	-	-

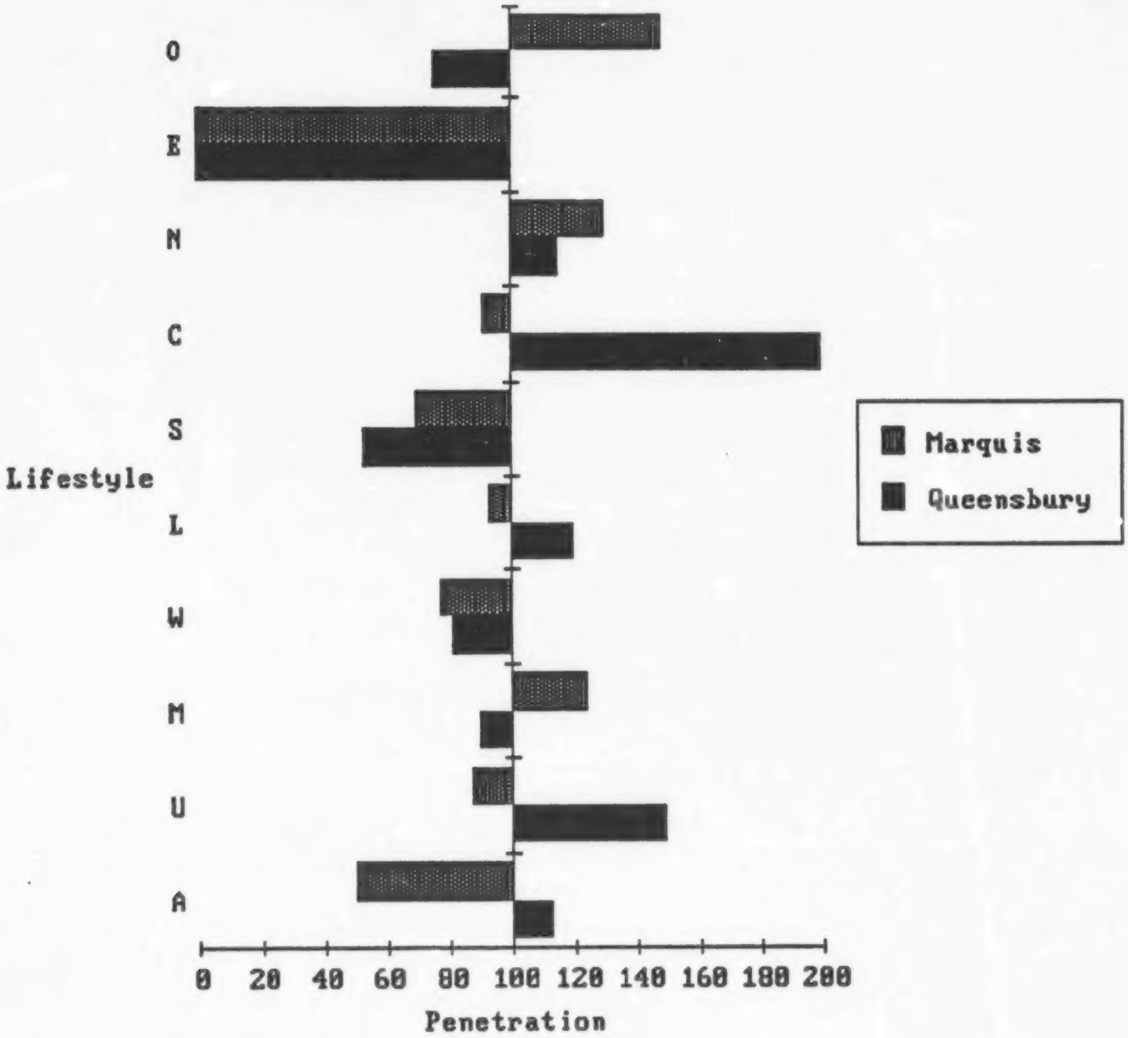
The Upper Middle/Middle Class, Empty Nester and Old and Retired Segment are Well-Penetrated by Marquis Downs

It is important to look beyond simple percentage distributions, however. For example, Marquis Downs may attract higher proportions of young singles simply because there is more of this type of person residing in Saskatoon. Clearly, we must put both cities on an equal footing in order to provide a meaningful analysis.

In order to remove the bias caused by the differing compositions of the populations of each city, we must compare a lifestyle segment's concentration in the group of race patrons to its concentration in the city's population in general. Therefore, if young singles make up 10% of race-goers, but only 5% of Saskatchewan's population, they would receive a score of 200. This means that young singles are twice as likely to be race goers than if each segment of the population was equally interested in horse racing.

EXHIBIT 5

Lifestyle Distribution of Attendees Based in Same City in Which Track is Located



On the other hand, if empty nesters made up only 3% of racegoers, but 6% of Regina's population, they would receive a score of 50, meaning that this group is half as likely to attend horse racing than would be the case if each segment of the city's population was equally interested in the product.

The situation where each segment of the population was equally attracted to horse racing is illustrated by the axis which intersects at "100" in Exhibit 5. In this situation, there would be no deviation from this axis. In reality, the result is quite different.

The affluents, upscales, lower income, young couples and empty nesters are overrepresented in their attendance of Queensbury Downs, while the upper middle/middle class, empty nesters, and old and retired are overrepresented at Marquis Downs.

The two largest Regina markets for horse racing at Queensbury are:

- Middle and Upper-Middle Class Households (24.6%)
- Empty Nesters (25.7%)

In the case of empty nester households Queensbury has achieved a reasonable penetration rate. In other words, the portion of horse racing patrons that are empty nester households is similar to the percentage that empty nester households make up in the Regina total household composition.

While middle and upper-middle class households are a major market for Queensbury (24.6%), clearly there is room to grow in this market as this market segment makes up 27.2% of Regina's population (18,737 households out of 68,000).

Another market segment where there is room to grow is the working class where Queensbury draws only 11.6% of its patrons, yet this market accounts for 14.3% of Regina households (almost 10,000 households).

Queensbury does not do well in the young singles market (i.e. only 5.6% of race fans are young singles compared to 10.5% of the City's population). This was also observed in our exit surveys where some patrons remarked on the need to "bring in younger people". However this may be a very difficult market to penetrate. In other words Queensbury would have to compete with night clubs, concerts and cruising. Albert Street and other entertainment venues that tend to attract young singles.

There may be some room to grow in the farming market segment. This segment is the largest in terms of Queensbury's impact on residents living outside of the City of Regina. At present Queensbury attracts 21% of its patrons from outside of the City of Regina compared to 25% for Marquis Downs. In expanding this market farmers present the best individual market segment upon which to increase its out of city attendance.

With respect to Marquis Downs, even though young singles comprise 16.9% of Saskatoon's household population, this accounted for only 11.7% of Marquis race-goers. This is a reasonably large market, at 12,906 Saskatoon households.

The working class segment may also offer some potential. Under 14% of Marquis Downs' race-goers are working class segments, while this group accounts for 13,428 households, or 17.6% of the City's population.

Both Tracks Display Poor Market Penetration Within Specific Areas of Their Own Urban Facilities

The maps found in Exhibits 6 and 7 geographically illustrate the manner in which Regina-resident attendance of Queensbury Downs is distributed. The distribution, of course, is largely a function of the areas in which the various lifestyle segments are concentrated in the city.

The location of Queensbury Downs is identified by the letter 'Q' on both maps. The area immediately surrounding the facility provides less than average attendance to the facility. Exhibit 6 compares residents of an area's concentration in the horse racing patron population to their contribution to the total city population. Besides the area near Queensbury, the extreme north and south areas of the City of Regina are underrepresented in attendance.

A similar analysis, relevant for Marquis Downs, is found in Exhibits 8 and 9. Interestingly Marquis Downs enjoys its best penetration in areas closest to the track but very poor penetration in other areas of the City such as River Heights.

6.2.3 -- Race Track Attendance Characteristics

The key input to this analysis is the result of on-track interviews conducted in Regina and Saskatoon.

The Majority of Horse Racing Fans Have Been Long Term Supporters of Both Tracks

As shown in Table 53, over 60% of today's horse racing fans have been attending horse racing for more than six consecutive years. In fact half of the fans have been attending horse racing for 10 years or greater.

EXHIBIT 6

Distribution of Regina Resident Queensbury Downs' Patrons

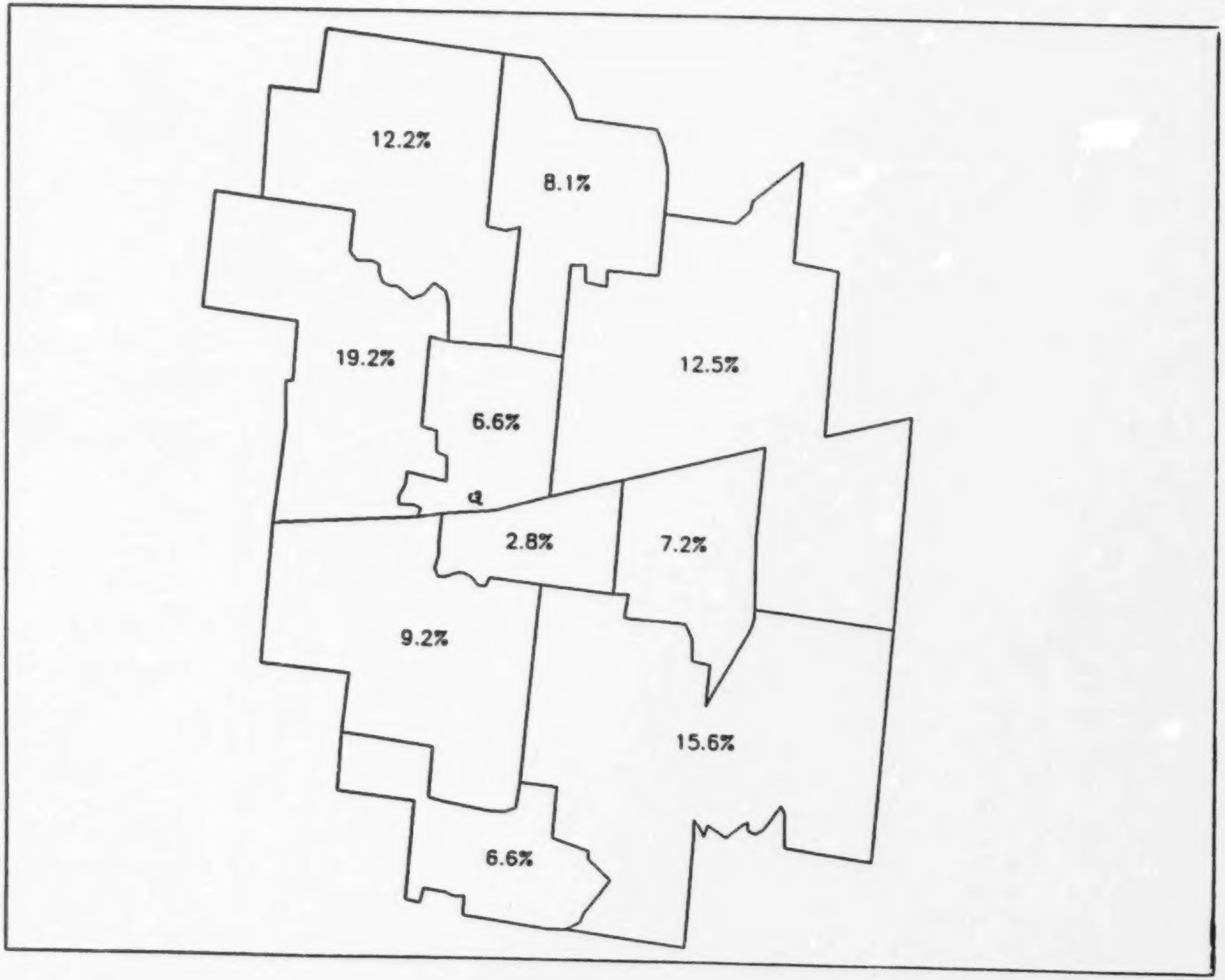


EXHIBIT 7

Population of Various Areas of Regina by Queensbury Downs

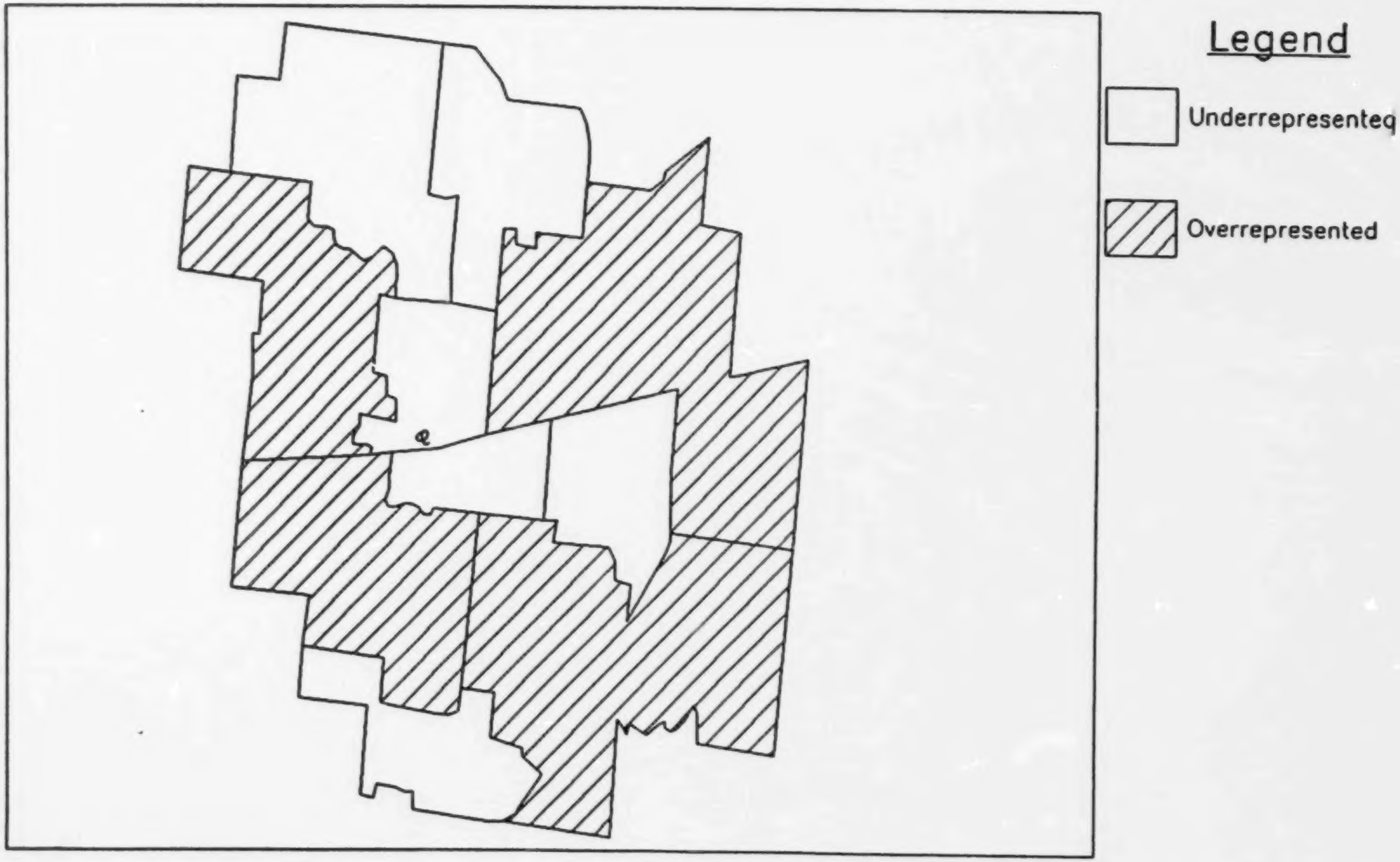


EXHIBIT 8

Distribution of Saskatoon Resident Marquis Down's Patrons

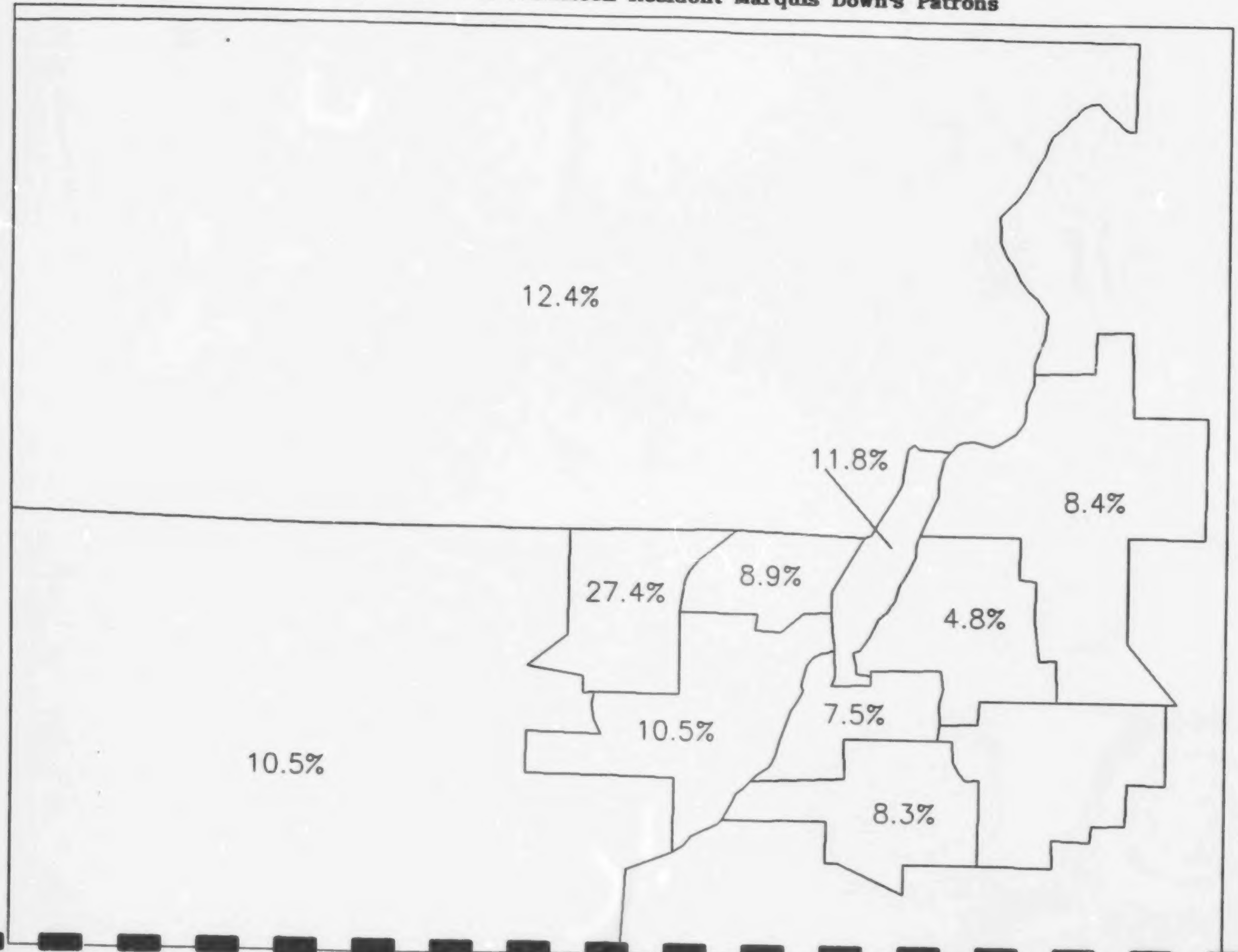


EXHIBIT 9

Population of Various Areas of Saskatoon by Marquis Downs

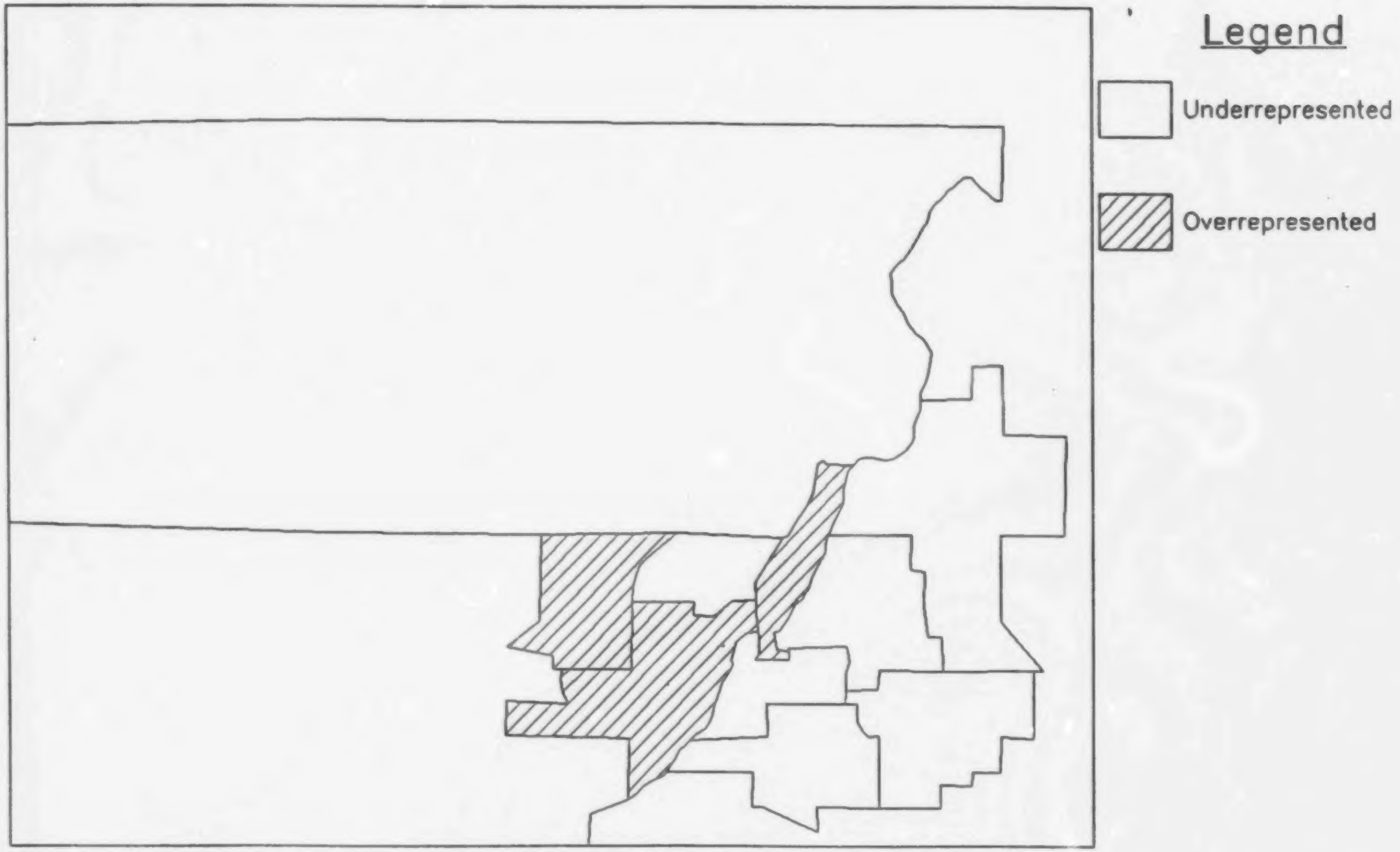


TABLE 53

Number of Years Horse Racing Fans Have Been Attending Track

	Saskatoon	**Regina**
1 Year	3.9%	8.6%
2 - 5 Years	26.0%	27.6%
6 - 9 Years	18.3%	13.8%
10 - 15 Years	22.1%	32.7%
16+ Years	29.8%	17.3%

Decreasing Attendance Appears to be a Significantly Greater Problem for Marquis than for Queensbury

Race fans were asked whether their track attendance has been increasing or decreasing over the past few years. As shown in the following exhibit, 32.4% of Marquis Downs' fans indicated that their attendance at the track has been declining while only 9.8% of Queensbury Downs' fans indicated declining attendance.

TABLE 54

"Over the Past Few Years Has Your Attendance Been ..."

	Saskatoon	**Regina**
Increasing	16.2%	24.6%
Decreasing	32.3%	9.8%
About the Same	51.4%	65.6%

While both tracks appear to enjoy fairly loyal support from long term participants, it appears that in Saskatoon's case that some of that long term support is being eroded. We will examine the relative satisfaction of patrons of both tracks later in this section.

In Saskatoon, Race Fans Have a High Preference for Sunday and Saturday Day Racing and Friday and Saturday Night Racing

As shown in the following table, racing is preferred on Saturday and Sunday afternoon. Friday evening racing is clearly preferred followed by Saturday. There also appears to be an overall preference for evening racing.

TABLE 55

What Days/Evenings Do You Prefer to Attend Horse Racing

	Days	Evenings	All the Time
Monday	0.3%	3.8%	
Tuesday	0.3%	3.8%	
Wednesday	0.6%	5.9%	
Thursday	0.3%	3.8%	
Friday	3.8%	18.8%	
Saturday	13.4%	14.1%	
Sunday	14.7%	5.6%	
Statutory Holidays	0.6%	3.0%	
All Days/Evenings			
Total	**34.0%**	**48.8%**	**7.2%**

Horse Racing Patrons are Predominantly Males

Horse racing appears to be a male attraction as 68.8% of patrons are males.

It also appears to be the type of entertainment where people attending the event appear comfortable to go there by themselves (33.6% of race patrons go to the races by themselves).

Lastly, horse racing patrons tend to be older as 50% of race fans are above the age of 40.

The Primary Attractions for Track Attendance are to Watch Horse Racing and to Wager

The following table indicates the reason or motivation behind attending Marquis Downs. It is clearly not a family motivated attraction.

TABLE 56

"What Was Your Primary Reason for Attending the Track Today?"

Friends/Family Wanted to Go	14.04%
To Gamble	29.82%
To Watch Horse Racing	33.33%
For Dining	0.00%
Other	22.81%

6.2.4 — Wagering Characteristics

Saskatoon and Regina Fans Prefer Different Betting Types

Racing fans in Regina and Saskatoon were queried on the type of betting that they preferred. The following table indicates their varying preferences.

TABLE 57

Order of Betting Type Preferred

Regina	Saskatoon
Win	Win
Quinella	Quinella
Triactor	Place
Exactor	Triactor
Place	Exactor
Daily Double	Win 4
Show	Show
Win 4	Daily Double
Select 6	Select 6
Other	Other

The "place" form of betting is more popular in Saskatoon while the "triactor" and "exactor" bet types rank more highly amongst Regina patrons.

There is a Strong Interest in the Concept of a Guaranteed Pool or Jackpot

As shown in the following table, 46.9% of race fans were in favour of a guaranteed pool or payout that is known in advance.

TABLE 58

Are You Interested in a Guaranteed Pool

Yes	46.9%
No	43.4%
Maybe	9.7%

A High Proportion of Race Patrons (45.6%) Bet on All Races Contained in the Race Card

As shown in the following table, almost half the race patrons bet on every race on the race card.

TABLE 59

"How Many Races Do You Usually Bet on Per Card?"

All Races	45.61%
7 Races	7.02%
6 Races	8.77%
5 Races	9.65%
4 Races	13.16%
3 Races	7.02%
2 Races	3.51%
1 Race	0.88%
Not at All	4.39%

Generally Existing Patrons Are Satisfied with Marquis Downs' Current Wagering Program

As shown in the following table, 82.3% of Marquis Downs' fans are satisfied with the present wagering offered.

TABLE 60

"Regarding the Type of Wagering Offered Are You ..."

Satisfied	82.30%
Not Satisfied	9.73%
Don't Know	7.96%

Table 61 shows that Patrons in both Regina and Saskatoon indicated that they would prefer to see thoroughbred racing. However, twice as many Regina patrons than Saskatoon patrons indicated that a mixture of both thoroughbred and harness racing would be desirable.

Interestingly, when Regina patrons were asked what breed that they would actually bet more money on, the desirability of harness racing dropped from 15.5% to 12.1%, thoroughbred racing remained at 50%, and the "mixture" category increased 34%.

Patrons That Do Not Consider Themselves as Experienced Do Not Have Problems with the Betting Process

Patrons who do not consider themselves to be experienced racing fans regarding horse wagering do not seem to have difficulty with the betting process. Only 17% of inexperienced Marquis patrons, and 12.5% of novice Queensbury patrons had difficulty understanding the process of betting. Over 98% of Marquis fans, and 91% of Queensbury fans found race track staff to be helpful when placing a bet. Lastly, regarding the printed race program, 50.5% of race fans consider it not to be important when placing a bet.

TABLE 61

There is a Preference for Thoroughbred Racing in Saskatoon and Regina

	Saskatoon	Regina
Thoroughbred	67.3%	50.0%
Both	15.9%	32.8%
Harness	14.5%	15.5%
Don't Know	2.3%	1.7%

6.2.5 — Product Satisfaction

Race Patrons Appear to be Satisfied with the Race Track Product in General

While there does appear to be interest in new wagering products such as a guaranteed pool, most patrons (82.3%) were satisfied with the wagering program presently offered.

The following exhibits rate the performance characteristics related to the operation of Marquis Downs and Queensbury Downs as determined by racing fans themselves.

With respect to Marquis Downs, the higher the score, the better the performance. The maximum attainable score for any one item is 342. It would appear that some improvements in horse racing itself at this track are needed in such areas as the number of horses raced, time between races, and the quality of the races run. Another low score was the cleanliness of the track itself.

Clearly there were many positive attributes found in patrons' experience with Marquis Downs. The track offers very high entertainment value and hospitality.

Queensbury Downs, on the other hand, received the highest marks for its cleanliness and hospitality but must work to improve its food and beverage prices as well as its sound system. There is also a perception that the opportunity for financial gain through wagering is somewhere between average and poor.

TABLE 62

Marquis Downs Product Rating

	Score	% of Maximum Score
Entertainment Value	311	90.9%
Hospitality	309	90.4%
Track Announcer	307	89.8%
Number of Races	305	89.1%
Sound System	281	82.2%
Competitive Value	281	82.2%
Quality of Races	275	80.4%
Parking	270	78.9%
Food/Beverage Prices	260	76.0%
Number of Horses	260	76.0%
Time Between Races	249	72.8%
Cleanliness	225	65.8%
Opportunity/Gain	214	62.6%
Racing Program	211	61.7%

TABLE 63

Queensbury Downs Product Rating

	Score	% of Maximum Score
Cleanliness of Track Facilities	172	84.3%
Track Announcer	160	78.4%
Hospitality of Race Track Staff	168	77.4%
The Racing Program	146	71.6%
Food and Beverage Services	131	64.2%
The Sound System	121	59.3%
Opportunity for Financial Gain	116	56.9%
Parking	116	56.9%
Price of Food/Beverages	98	48.0%

In this case, the maximum attainable score is 204. On the eight product items that the ratings of the two facilities had in common, Queensbury had an average score of 66.6% while Marquis Downs scored 75.9%.

Live Racing is By Far the Most Popular Form of Consuming The Horse Racing Product

Live racing is the most popular form of horse racing by far for both occasional and core patrons. However, core patrons have a higher acceptance rate for other forms of presenting the product. This is revealed in Table 64.

TABLE 64

Preference for Type of Horse Racing by Patron Type

	Occasional Patron	Core Patron
Live	36.6%	84.9%
Intertrack	20.7%	51.3%
Simulcasting from Winnipeg	6.9%	46.2%
Other Simulcast	9.6%	28.2%

* Note: Columns do not add to 100% due to multiple responses.

Winter Racing Appeals More to the Core Patron than the Occasional Attender

Almost 71% of core patrons are interested in seeing winter racing at the two major tracks in the province. This is opposed to only 10.9% of occasional attenders. With respect to the manner in which winter racing would be delivered, live racing is preferred by both occasional attenders and core patrons. However, core patrons would be more amenable to winter racing offered in the simulcast or intertrack formats than would occasional attenders. Table 65 below provides details of this analysis.

TABLE 65

Form of Winter Racing Preferred by Type of Patron

	Occasional Patron	Core Patron
Live Racing	100.0%	64.7%
Intertrack	14.3%	20.6%
Simulcast	14.3%	23.5%

* Note: Columns do not add to 100% due to multiple responses.

Both Simulcast/Intertrack Viewing Quality and Quality of Races Could Use Improvement

According to race fans, both the viewing quality and quality of races associated with intertrack/simulcast product format could use improvement. The quality of races receives a slightly higher rating than the quality of viewing, however. Over 57% of occasional attenders, and 49.1% of core patrons found the quality of viewing associated with simulcast/intertrack racing to be "average" or below. With respect to the actual races, 37.9% of occasional attenders and 47.9% of core patrons found quality to be "average" or "poor" or "very poor". This finding will prove to be an important factor when we later develop market strategies for horse racing.

6.3 Media Habits of Race Fans

The Race Track Itself is the Primary Source of Information About Race Programs

Clearly, most race fans (64.3%) hear about the race program by information obtained at the track.

TABLE 67

"How Did You Hear About Today's Race Program?"

	#	%
Friends	15	13.39%
Newspaper	15	13.39%
TV	0	0.00%
Radio	10	8.93%
Other	72	64.29%

The Newspaper is the Primary Source of Information Regarding Horse Racing

TABLE 68

"What Media Did You Consult for Information Regarding Horse Racing?"

	#	#
Friends	6	5.41%
Newspaper	48	43.24%
TV	1	0.90%
Radio	22	19.82%
Other (Race Track)	34	30.63%

The other category identified in Table 68 likely pertains largely to the word-of-mouth category of communication. For example, 40% of attendees surveyed at the race tracks were either themselves involved in the horse racing industry or at least knew someone that was. A great deal of information regarding horse racing could be disseminated through these channels.

6.4 The Market Position of the Horse Racing Product Versus Other Gambling Products

We consider it a very valuable exercise to compare the horse racing product to other forms of gambling. Over 42% of race patrons surveyed considered horse racing to be a form of gambling versus a sport (11%) or a form of entertainment (47%). Perception is often reality, and thus we must examine horse racing in the context of other gambling options available in the province.

Core Patrons Are More Likely to Consider Horse Racing as a Form of Gambling than Occasional Attenders

Table 69 below shows that while only 31.3% of occasional patrons consider horse racing a form of gambling, nearly 52% of core patrons things of horse racing as a type of gambling or betting. We saw earlier the importance of this core group not only in the generation of attendance but also in the contribution to handle. The fact that horse racing is perceived by a large portion of the core group as "just another gambling option" may in part explain the decrease that our province has seen in per capita handles. A wide variety of betting options such as bingos, lotteries and Nevada tickets have become increasingly popular as this decade has progressed and these are likely having a negative impact on per capita handle due to increased competition for the bettor's dollar.

TABLE 69

Perceptions Regarding Horse Racing
Occasional Patrons vs. Core Patrons

Perception	Occasional Patrons Percentage	Core Patrons Percentage
A Sport	10.4%	12.1%
A Form of Entertainment	58.3%	36.2%
A Type of Gambling	31.3%	51.7%
	100.0%	100.0%

Horse Racing's Share of the Provincial Gambling Market Has Decreased Dramatically

As bingos, lotteries, Nevada tickets, and raffles have increased in popularity over this decade, horse racing's share of the gambling market has shrunk dramatically. While horse racing's market share amounted to 36.4% of the provincial gambling dollar in 1980-81, it has dropped to one-seventh of this level, or 4.8% in 1988-89. Bingos have increased in revenue by fifty times over that same time span. Nevada tickets which were literally non-existent when horse racing had 36.4% of the market, now attract over one-quarter of all gambling dollars spent in the province. Please refer to Table 70 for more details.

TABLE 70

Comparison of Horse Racing with Other Forms of Betting
($ Millions)

	88-89	87-88	86-87	85-86	84-85	83-84	82-83	81-82	80-81
Bingos	103.7	95.4	86.0	54.8	30.4	12.0	4.6	2.2	2.0
Lotteries	102.0	93.8	87.5	65.2	51.3	37.0	21.7	18.0	15.3
Nevadas	90.5	71.8	100.5	68.5	33.9	16.2	.1	0	0
Casino	26.4	20.3	14.5	12.0	9.6	7.5	6.7	5.5	4.6
Horse Racing	17.2	19.7	15.3	17.5	16.4	18.0	20.0	17.1	14.7
Raffles	15.8	14.0	12.4	8.5	8.2	7.1	9.0	8.4	3.8
Total	**355.6**	**315.0**	**316.2**	**226.5**	**149.8**	**97.8**	**62.1**	**51.2**	**40.4**
% Horse Racing	**4.8%**	**6.3%**	**4.8%**	**7.7%**	**10.9%**	**18.4%**	**32.2%**	**33.3%**	**36.4%**

Lotteries are the Key Competitor to Horse Racing with Respect to Enjoyment

Both occasional and core patrons find lotteries to be the second most enjoyable form of gambling after horse racing. Horse racing is enjoyed to a greater degree by core patrons than occasional patrons. Lotteries are closer, in terms of enjoyment, to horse racing amongst core patrons as opposed to occasional patrons. Table 71 would appear to indicate that core horse racing patrons are gamblers by nature.

TABLE 71

Percentage of Patrons that Enjoy Various Forms of Gambling

	Occasional Patrons	Core Patrons
Lotteries	79.1%	86.2%
Bingos	18.8%	17.2%
Casinos	14.6%	29.3%
Cards	12.5%	19.0%
Horse Racing	93.8%	100.0%
Sports Pools	14.6%	13.8%

In terms of the Form of Gambling Most Participated In, Lotteries are Again the Key Competitor

When asked to select the one form of gambling most often participated in, lotteries were the closest competitor to horse racing amongst core patrons. Participation in lotteries actually outweighed, by a considerable amount, the participation in horse racing by occasional patrons. Please refer to Table 72 for details.

This analysis also shows that casinos are not likely cannibalizing the market for horse racing.

TABLE 72

Form of Gambling Actually Participated in Most Often

	Occasional Patrons	Core Patrons
Lotteries	60.9%	29.8%
Bingos	8.7%	5.3%
Casinos	2.2%	5.3%
Cards	4.3%	0.0%
Horse Racing	23.9%	59.6%
Sports Pools	0.0%	0.0%

In Spite of the Competition, Horse Racing Receives Relatively High Ratings from Patrons

We will discuss the opinions of non-patrons regarding gambling projects in the following chapter. However, occasional patrons and core patrons rate horse racing fairly high on most of a number of aspects:

- 64.65% of patrons feel that horse racing is more complex than other gambling types, while 24.24% rate it as having the same complexity
- 58.16% of patrons feel that the opportunity to win compared to other gambling is better
- 77.78% of patrons feel that the entertainment value of horse racing is better than other gambling
- 65.31% feel that the facilities at horse racing are better than at other gambling venues
- 36.05% feel that the entertainment cost of horse racing is the same as other forms of gambling, while 16.49% feel that it costs less.

A Majority of Patrons Indicated that the New Lottery Tax Reduced Tickets Purchased

Almost 63% of patrons interviewed indicated that the recent lottery tax has reduced their purchase of tickets. However, there have been recent indications that lottery sales are rebounding gradually. Even if this were not the case, the lottery tax could not be viewed as a long-term boon to the horse racing industry as it can be removed or replaced based on political pressures.

The Market Position of the Horse Racing Product Versus Other Sports/Entertainment Products

It is also important to analyze the horse racing product in the context of other sports/entertainment products. Table 69 showed us that slightly more core patrons than occasional attenders consider horse racing to be a sport, while considerably more occasional patrons perceive horse racing as a type of entertainment than do core patrons.

Just as the previous analysis was important to determining what gambling products threaten the core patron base, it is necessary to examine the positioning of horse racing amongst other sports/entertainment options in the eyes of current patrons, and particularly occasional patrons due to their high propensity to consider racing a form of entertainment.

Table 73 below outlines the attendance patterns associated with various types of sports.

TABLE 73

Attendance Patterns Relevant to Sports Attended in the Last Two Years

	Occasional Patron		**Core Patron**	
	Attended in Past 2 Years	**Attend Often**	**Attended in Past 2 Years**	**Attend Often**
Football	55.7%	66.6%	66.6%	66.6%
Baseball	54.3%	52.6%	66.6%	66.6%
Wrestling	50.0%	28.6%	55.6%	40.0%
Basketball	50.5%	16.7%	66.6%	16.7%
Soccer	50.0%	2.9%	55.5%	20.0%
Auto Racing	51.4%	16.7%	55.5%	40.0%
Rodeos	50.0%	11.7%	66.6%	0.0%
Hockey	54.3%	52.6%	66.6%	50.0%
Swimming	50.0%	2.9%	44.4%	0.0%
Skating	50.0%	11.4%	55.6%	20.0%
Horse Racing	34.3%	0.0%	55.6%	20.0%

Occasional patrons tend to attend a wide variety of sports but indicate that they attend them less often than the core patron group does. Out of all of the sports listed in Table 73, horse racing is the least likely attended event by the occasional patron group over a two year period. It therefore appears that horse racing, as a product, faces significant competition in the context of other sporting activities.

Tables 74 and 75 attempt to put horse racing in the context of other leisure activities/entertainment products. Respondents to our random telephone surveys were asked to classify their participation in various leisure pursuits as "never", "rarely", "sometimes", and "often". We have attached a score to each of these responses so that if each and every respondent indicated that they pursued a specific activity often, that activity would receive a maximum mark of 168 in the case of occasional attenders and 24 in the case of core attenders. This provides us with a method of ranking participation in each of the activities.

TABLE 74

Leisure Activity Ranking for Occasional Horse Racing Attenders

Activity	Score
Dining Out	144
Visit Friends and Relatives	137
VCR Movies	128
Movies	111
Nightclubs	104
Concerts	98
Lotteries	98
Horse Racing	93
Camping	91
Boating	89
Golfing	88
Fishing	87
Museums	83
Live Theatre	74
Health Clubs	70
Bingo	59
Casino	59

As is shown in Table 74, horse racing ranks eighth in the list of leisure activities/entertainment options when ranked by frequency of pursuit by occasional horse racing patrons.

TABLE 75

Leisure Activity Ranking for Core Horse Racing Attenders

Activity	**Score**
Visiting Friends and Relatives	21
Lotteries	17
Movies	16
VCR Movies	16
Concerts	15
Dining Out	14
Night Clubs	14
Horse Racing	14
Museums	12
Camping	12
Golfing	12
Live Theatre	11
Casinos	9
Bingo	8
Health Clubs	8
Fishing	7
Boating	7

Table 75 shows that horse racing also ranks eighth in a list of leisure activities/entertainment options when ranked by frequency of pursuit by core horse racing patrons.

Both tables serve to show that there are also a variety of entertainment/leisure options competing for the time of both the core and occasional patron groups. Some of the activities that occur more frequently than horse racing such as dining can be "packaged" so that a night of dining does not necessarily have to exclude consumption of the horse racing product, for instance.

7.0 ANALYSIS OF MARKET POTENTIAL

We discussed the current structure of the market for horse racing at the outset of Chapter 6 in terms of the contributions of the occasional and core patron groups. It is important in this chapter, that we determine the potential market for horse racing. In other words, who are we likely to attract that we are not attracting now.

As identified earlier in this study, there are 128,858 people residing in the City of Regina, and 138,774 living in the City of Saskatoon aged 19 and over. As we have also already seen, 23.9% and 21.7% of these populations in Regina and Saskatoon respectively will attend horse racing this year. This leaves a potential market of 98,061 people in the City of Regina and 108,660 people in the City of Saskatoon.

Further probing during our random telephone interview process indicated that these potential markets would be distributed across three segments as outlined in Table 76.

TABLE 76

Distribution of Potential Market in Regina and Saskatoon

	Regina	**Saskatoon**
Attended Racing in the Last 5 Years	36,969	40,965
Attended Racing in the Last 15 Years	18,003	19,950
Have Never Attended Racing	43,089	47,745
Total	**98,061**	**108,660**

The Segment of the Market Which has Attended Racing in the Last Five Years is Most Aware of Horse Racing Marketing Programs

We identified above that the potential horse racing market, which is made up of all individuals 19 years and older who will not attend racing this year, is distributed across three segments. The segment that is most aware of horse racing marketing programs is the group that has attended racing sometime in the last five years. This is shown in Table 77.

TABLE 77

Awareness of Marketing Programs by the Three Segments of the Potential Market

	Aware of Horse Racing Marketing Programs	Unaware of Horse Racing Marketing Programs
Attended Racing in the Last 5 Years	41.2%	58.8%
Attended Racing in the Last 15 Years	16.7%	83.3%
Have Never Attended Racing	7.6%	92.4%

These Promotions Tend to be the Most Effective with the Potential Segment Which Has Attended Horse Racing in the Past Five Years

Just over 46% of the group that has attended horse racing in the past five years indicated that some of the marketing promotions may influence them to attend. The relative volume of these promotions across the three potential market segments is shown below in Table 78.

TABLE 78

Would Any of this Year's Marketing Programs Influence You to Attend?

	Promotions Would Influence	Promotions Would Not Influence
Attended Racing in the Last 5 Years	46.1%	53.9%
Attended Racing in the Last 15 Years	18.2%	81.8%
Have Never Attended Racing	30.0%	70.0%

110,163 people or 53.2% of the potential market in both cities indicated that they could be interested in attending horse racing.

Based on a question posed during our random telephone survey, we have determined that the potential market size indicated in Table 79 could be interested in attending horse racing.

TABLE 79

Portion of Potential Market that Could be Interested in Attending Horse Racing

	Number that Could Be Interested in Attending
Attended Racing in the Last 5 Years	60,059
Attended Racing in the Last 15 Years	21,009
Have Never Attended Racing	29,095
	110,163

Thus, we have identified a qualified potential market of 110,163 individuals aged 19 years and over residing in each city. This represents 53.2% of the potential market identified initially.

There are a variety of programs that can be undertaken in addressing this "possibly interested" potential market. The most appealing attribute to the potential group which has attended in the past five years is the dining room, followed by watching racing and gambling. The potential group which has attended in the past fifteen years is by far most attracted by the dining room. Lastly, the potential group that has never been to racing is most interested in watching racing, followed by utilizing the dining room.

In terms of specific ways in which each of the three interested potential segments could be influenced to attend racing, the provision of free passes is most appealing to the group that has attended racing in the past five years. The group that has attended racing in the past fifteen years is most interested in receiving information on the track and its facilities. The group that has never been to racing is most interested in receiving free passes.

In Table 66 we identified that 110,163 people who will not attend racing this year can possibly be persuaded to consume the horse racing product. We have also indicated attributes of horse racing and incentives that this group finds attractive. If one-quarter of this group could be attracted next year, for instance, an incremental $2,134,408 in handle would be generated in the province, assuming that these new attenders would match the profile of the occasional patrons. The incremental impacts become even larger if some of this occasional patron group eventually converts to core patrons.

7.1 Potential for Simulcasting and Teletheatre Wagering

A previous section noted the rise in intertrack and simulcast wagering. Both forms of betting have shown significant growth since their introduction. Simulcasting now accounts for 20% of the total handle. Very clearly betting on out-of-province races is very popular with race fans in Regina and Saskatoon. It is quite popular with racing's core patrons as per capita betting on simulcast racing is significantly higher than live racing. This clearly suggests that both tracks should offer as many simulcast races as possible, until the live product can generate sufficient handle.

Another key aspect in offering more simulcast races is that it is currently the only profitable form of racing that the two tracks can offer. The net profit margin on simulcast racing is 26% compared to a negative 10% for live racing.

It is principally for this reason that we conducted a stand-alone feasibility study of teletheatre betting for Saskatchewan. Our market analysis indicates that not only does live racing currently fail to attract urban fans in the two large cities but it has very low penetration in rural areas. Only 20% of Regina's and Saskatoon's market is drawn from rural areas. On the other hand rural communities do have an interest in racing but there is no product available locally. The experience of other jurisdictions suggests that teletheatre betting facilities for communities with a population 25,000 and in some cases 10,000 people or greater can be viable. In this regard we analyzed the market potential for teletheatre wagering in the following four centres:

- Moose Jaw
- Prince Albert
- Yorkton
- Lloydminster

Particularly in the case of Moose Jaw and Prince Albert, our preliminary feasibility study found teletheatre betting could be viable from both market and financial perspectives. We based this on the assumption that these communities could be offered 150 days of racing and lower per capita bets than in the cases of Regina and Saskatoon.

Our cost assumptions are based on the experience of other tracks and interviews with SaskTel regarding costs.

While our feasibility study is a preliminary one, the potential for teletheatre wagering looks promising and should be fully evaluated. A separate feasibility study on the potential for teletheatre betting has been provided under separate cover for the purpose of initiating a full evaluation of its implementation on a pilot basis. It is also our feeling that sponsorship could be obtained from SaskTel for the initiation of a pilot project. Lastly, with the initiation of more simulcasting of out-of-province races Saskatchewan could bargain for lower commissions to be paid to the host tracks. At present Assiniboia Downs' commissions of 50% appear to be excessively high.

8.0 CONCLUSIONS AND RECOMMENDED DEVELOPMENT PLAN

8.1 Introduction

This chapter summarizes our findings with respect to the current circumstances the industry now finds itself in. These findings are drawn together in the form of conclusions. These conclusions are summarized in relationship to each of the study's objectives. Based on these conclusions a recommended development plan is formulated for the industry.

8.2 Conclusions with Respect to Study Objectives

Based on the preceding chapters which have analyzed in detail both product and market for Saskatchewan's horse racing industry, we have summarized the more salient or key findings in relationship to the study's objectives.

1. **To review the existing industry organization between the Saskatchewan Horse Racing Commission, Track Operators, Horsemen and Breeders and make recommendations as to roles, responsibilities, communication and leadership.**

This study objective is a fairly broad one but is none-the-less an important one. We have evaluated each of the key industry "stakeholders" in relationship to roles, responsibilities, communication and leadership.

Saskatchewan Horse Racing Commission

The role of the Racing Commission involves the licensing of persons involved in horse racing in the Province, drug testing, approving race dates and the provision of judges and stewards and hearing appeals. The Commission also has a development role in that it lends support to Saskatchewan's breeding industry by way of a Standardbred Incentive Program and a Thoroughbred Breeders' Program. The former received a grant of $82,501 and the latter, $54,843 in 1988.

In a nutshell the Commission's role is largely regulatory. However, as we have seen earlier the cost of fulfilling that role has been comparatively expensive. Relative to handle the cost of Saskatchewan's Racing Commission is almost 3 times greater than that of Manitoba's. The Commission's administrative costs have increased by 43.8% while live handle in Saskatchewan has fallen by 15.7%. This is not to suggest that the Commission is inefficient. Rather on a cost per race day basis, Saskatchewan's Commission compares favourably to its counterparts in Alberta and Manitoba. Rather the problem in Saskatchewan is that handles are so low that it is difficult to justify having the same type of Commission as in the case of Alberta or Manitoba given the poor health of Saskatchewan's industry. On the other hand, should the Commission's cost and correspondingly its role be reduced could it adequately fulfill its regulatory role and protect the integrity of the industry?

In discussions with the Commission's executive it was indicated that no further cost cutting could take place without damaging the Commission's role. In other words you regulate or don't regulate the industry, there is no such thing as a half a Commission. The largest single contributor to the Commission's cost are the number and location of race days in the race season. For each race day the Commission incurs costs in providing judges and stewards. If race days are reduced, then correspondingly there is a reduction in Commission cost. For example, the addition of Regina's winter race meet added approximately $100,000 in costs to the Commission. Another contributing factor to the Commission's costs are simultaneous meets in Regina and Saskatoon which in effect doubles the Commission's cost. In other words the Commission has to provide for judges and stewards at both locations on the same day.

The Commission could play a greater developmental role in the industry in terms of horse supply. The Commission does provide grants to standardbred and thoroughbred breeders. The Commission should be tracking horse inventories and breeding in Saskatchewan. By maintaining historical data for horse ownership the Commission would be in a better position to advise the industry on horse supply, which should form the basis for industry planning. The Commission should also evaluate the impact that its grants are having on the breeding industry in Saskatchewan. For example, in the case of harness horses, foal production in Saskatchewan has declined dramatically. This raises questions as to the effectiveness of the Commission's standardbred breeders support program. This type of research would lend greater confidence to planning race dates in terms of the horse supply to sustain those race dates. The Commission would also be in a better position to advise both the industry and government as to the health of Saskatchewan's breeding industry.

Regarding communication and leadership, the Commission has played a "broker" role in terms of getting the industry to discuss issues such as simulcasting and winter racing. However, it is not really the Commission's role to provide industry leadership. This must come from some other source. The Commission's role is primarily regulatory and by providing leadership it could compromise that role particularly if the Commission was seen to be favouring one track or one breed over another. In addition, the Commission is "detached" from responsibility for the industry's financial performance. Financial responsibility largely rests with the track owners and management.

Track Operators

The role of the track operators in Saskatchewan and elsewhere is fairly well defined. The role of a race track operator, while this has rarely happened in Saskatchewan, is to operate a profitable race track for the owner of that race track. The two provincial exhibition associations, Prairieland Exhibition Corporation and Regina Exhibition Association Ltd., who own the race tracks, are both non-profit agricultural societies. Horse racing is regarded as part of their agricultural mandate. While both societies don't expect to make a profit from racing they don't, nor should they, expect substantial operating losses, year in and year out. Horse racing has come perilously close to threatening the financial viability of these two societies.

This is a more serious consideration for Prairieland as it is the largest product offering of that Association and unlike the Regina Exhibition Association it does not have as diverse a product and revenue base to fall back on.

The two race tracks are responsible to a Board of Directors or race committee of the Board. The race committee is composed of lay officials or in other words they don't know much about the business of running a race track. As a result track management cannot really look to the Board for leadership. Often the Boards of the two Exhibition Associations become totally frustrated with horse racing. The horse racing industry is a very complex industry to understand. There is virtually no long term planning for horse racing at either track. Rather, each year each track develops a race program and "hopes for the best". There is a combination of lack of understanding and an internal inability to come to grips with the underlying problems facing racing. Added to this is the need for joint planning between the two tracks to complement rather than continuing to engage in destructive competition. Examples of this include Regina's winter harness meet that impacted very negatively on Saskatoon's operating revenue, joint negotiation with horsemen to achieve realistic contracts, jointly working together to reduce high take-out rates and planning complimentary race meets.

Regarding communications, both tracks have not really conveyed their real operating circumstances to horsemen or to the government. Some horsemen have accused the tracks of keeping two sets of books. Both race tracks and in particular Queensbury have lost a lot of money on horse racing. The importance of simulcasting has not been properly explained to horsemen. Both tracks do not communicate properly to one another in terms of their own financial performance. While this will be explored in a latter section, both tracks have very different financial reporting where they should adopt common accounting and financial reporting systems. This would greatly benefit management.

Horsemen and Breeders

The role of the horsemen and breeders is to invest in the product and to supply tracks with horses that are trained and fit to race. Given the current uncertain circumstances faced by Saskatchewan's horse racing industry, it is understandable that horsemen are having difficulty in fulfilling this role. In particular, the Province's standardbred industry is especially vulnerable at this time. There are 40% fewer Saskatchewan standardbred owners than thoroughbred owners. Harness racing in Saskatchewan is far more reliant on non-resident owners than in the case of thoroughbreds. Of particular concern is the depletion of standardbred foal production in Saskatchewan. Standardbred foal production has declined by 57.3% since 1984. Comparatively, standardbred foal production is only 40% of the level of thoroughbred foal production. This raises serious questions about the future of Saskatchewan's standardbred industry.

Communication between horsemen and track operators has been especially strained over the past few years. This is a direct result of declining handles which has led to lower purses and purse overpayments. Purse overpayments and existing contracts between track operators and horsemen have created a great deal of negative publicity for the industry. There is also a clear need to develop a fair commission policy regarding simulcast racing between the track operators and horsemen.

In reviewing the roles, responsibilities, communication and leadership for each of the industry's key stakeholders it appears that Saskatchewan lacks a structure, that can provide industry leadership by way of a plan that defines roles and makes the various stakeholders work toward the achievement of the goals outlined in that plan. Until this is done it is unlikely that horse racing in Saskatchewan can pull itself out of its current circumstances. Such a plan would address:

- Bringing the costs of the Saskatchewan Horse Racing Commission in line with the total live handle generated by the industry.
- Developing a good financial reporting system for track operations that can better report the financial circumstances of track operation to the Government and horsemen.
- Developing a joint planning program for the Province's two principal race tracks.
- Development of realistic contracts between track operators and horsemen.
- The supply of horses necessary to sustain the industry in the future, particularly in the case of harness horses.

2. To review both the management and accounting practices of horse racing in Saskatchewan and to make recommendations as to their improvement, where necessary.

We spent considerable time in reviewing each track's operating revenues and expenses. We found several differences in the way in which each track prepares and reports financial information on the performance of their respective race tracks. For example Prairieland charges Marquis Downs with depreciation and interest payments, which come out of track operating revenues while Queensbury does not.

Comparisons between the two tracks would be made substantially easier if both tracks were to adopt a common accounting and financial reporting system. This would be of real value to management in assessing the comparative performance of their race tracks. A common financial accounting system would not only improve management it would also reduce costs. Particularly if a long range plan is adopted with its principal objective to create a financially viable industry, we would definitely recommend that both tracks adopt common accounting practices and implement a common financial reporting system. Such a system would allow management to identify and react quickly to changing circumstances such as the potential for purse overpayments.

Our comparative analysis of the financial performance of both tracks yielded some very interesting results:

- Regina has lost substantially greater money in its total race operation than Saskatoon.
- Based solely on recovering operating costs exclusive of depreciation and interest, Saskatoon has been able to just barely generate enough revenue while Regina has not. New facilities have not made any difference to Regina's financial operating circumstances. In fact in 1988, with Queensbury fully operational the track lost the largest amount of money in its history.
- Live racing is conducted at a significant financial loss. For every day of live racing, Saskatoon loses $2,588 and Regina $3,271. The net profit margin on horse racing for the two tracks is negative 10-15%. This negative net margin must be offset by other sources of net revenue from food, beverage, concession or simulcasting.
- Without continued purse subsidization by the Government of Saskatchewan, in addition to the current pari-mutuel tax rebate, neither track is financially viable.

3. To review the current circumstances of Saskatchewan's breeding industry and the relationship between the breeding industry and track viability and development.

Historically there has been a direct or delayed relationship between breeding track viability and development. This relationship is also directly related to racing industries in the western provinces and the economies of those provinces. As an example, during the 1970's expansion of the racing industry in Alberta and British Columbia impacted on both breeds in Saskatchewan but in particular standardbred horses. This in turn impacted on the operation of the race tracks, lowering handles, particularly for harness racing. This discouraged investment and, correspondingly, breeding. Discussions with representatives of the Saskatchewan Harness Racing Association would suggest that investor confidence in the breeding and racing of harness horses is low, making Saskatchewan's harness racing increasingly reliant upon out-of-province bred racing stock. Comparatively there is much greater participation in thoroughbred ownership and breeding than harness. In fact, Saskatchewan resident ownership of thoroughbreds is almost twice that of harness. Given the significant decline in standardbred foal production in Saskatchewan we seriously question the future of harness racing in Saskatchewan -- will there be enough harness horses to sustain racing in the future? This has serious consequences for Queensbury Downs which has adopted a "harness only" product offering.

4. To review the existing structure for horse racing purses in Saskatchewan and make recommendations as to how they can be improved.

On a provincial comparative basis, Saskatchewan's horse racing purses are extremely low as shown in the following table.

TABLE 80

Provincial Comparison of Horse Racing Purses

	Average Per Race Purse	
	Harness	**Thoroughbred**
British Columbia	$ 2,652	$ 5,571
Alberta	3,546	3,360
Saskatchewan	1,098	1,786
Manitoba	1,379	3,405
Ontario	3,765	15,091

In the case of harness racing clearly purses are much greater in all provinces with the exception of Manitoba. The low level of harness purse payments in Manitoba is a direct result of the operator (Assiniboia Downs) losing interest in harness racing. Not only have purses been declining but the operator has increased the take-out rate which is resulting in declining handles and correspondingly lower purse payments.

In terms of an interprovincial circuit there is a clear linkage between Manitoba and Saskatchewan and in particular Queensbury and Assiniboia Downs. Harness horses race at both tracks and move back and forth. With respect to Alberta and British Columbia, in the past Saskatchewan was a "breeding ground" for those provinces' supply of harness horses. However, over time a large number of Saskatchewan harness owners and breeders have permanently moved to Alberta and British Columbia.

Regarding thoroughbred racing, purses in other provinces are more than twice the level of Saskatchewan's. However an anomaly exists with respect to Alberta. Thoroughbred racing in Saskatchewan could be characterized as "B" circuit racing. Purses for thoroughbred racing in Edmonton and Calgary are substantially higher than in Saskatchewan. The average per race purse for thoroughbreds in Calgary and Edmonton is $4,682 and $4,877 respectively, compared to only $1,785 for Saskatchewan. However for Alberta's "B" circuit tracks, of which there are 12, the average thoroughbred purse is just under $1,000. Alberta's "B" circuit, which takes in some reasonably populated cities like Lethbridge and Medicine Hat, offers 99 days of racing. Saskatchewan can compete with Alberta's B circuit for horse supply and on a per race purse basis while Saskatchewan cannot hope to achieve the level of performance of a Calgary or Edmonton it can become the best of the B circuit tracks for thoroughbred racing. Clearly it already does this in terms of purses but also daily handles are almost twice the level (i.e. $82,764 daily handle for Saskatchewan thoroughbred compared to a daily handle of $44,177 for Alberta's B circuit).

Little can be done, in the short term, with the exception of direct purse support by the Government of Saskatchewan as was the case in 1989, to increase purse payments. Relative to handle, purses are already too high. Saskatchewan is the only province in Western Canada where gross purse payments exceed track commission. Track operators are already subsidizing purse payments, both directly in a sense that purse payments should be lower than track commissions if the track operator has any hope of running a financially solvent race track and indirectly through purse overpayments.

Purses in Saskatchewan will only increase if handles increase and it will take some time to reverse the current trend of declining handles. While simulcasting offers some potential for live purse support, in the short term the track operators require as much of the net profit generated by simulcasting as they can to offset financial losses incurred by live racing.

5. To review existing wagering and to make recommendations as to how betting can be improved through the following:

- At Track
- Inter-Track
- Simulcasting
- Off Track

At Track

Our review of wagering in Saskatchewan was not a particularly encouraging one for the industry. Since 1982 the total provincial live handle has declined by 46.2%. Both Regina and Saskatoon are incurring fairly substantial losses on live racing (i.e. a 10% negative net operating margin for Saskatoon and a negative 15% net operating margin for Regina. Since 1982 daily handles have declined for both tracks while daily expenditures have increased. Lastly, per capita betting behaviour has also declined from over $100 in both Regina and Saskatoon to $75 in Regina and $85 in Saskatoon over the period 1984 to 1988.

There are three principal reasons for Saskatchewan's poor wagering performance.

1. Competition from other gambling products, namely lotteries.

2. Increased take-out rates and lower pools.

3. Poor and inconsistent product performance.

In 1982 horse racing's share of the provincial gambling market was 33%. In 1988, horse racing's share of provincial gambling has dropped to 4.8%. Over that time period lottery expenditure by Saskatchewan residents has grown by 467% while horse racing has declined. Lotteries are far more convenient and less complex to particicipate in and there is no admission charge. The cost of participating in racing is comparatively expensive. For example a couple going to the race track can spend $20 on parking, admission, program purchases and concessions before they have even wagered.

Compounding racing's difficulties has been the growth in take-out rates. A shrinking market and rising costs have forced-up take-out rates for race track operators. This has resulted in increasingly smaller pools which in turn reduces the amount of money that can be gained through successful wagering. The race fans who are most perceptive about take-out rates and declining pools are racing's hard core fan base. While this group is small in number in terms of total attendance they account for 60% or more of all betting at the race track. Our market surveys of core bettors indicates that, on balance, their primary interest in coming to the track is to gamble. As a result, horse racing has been losing some of its critical group of hard core bettors. This is a direct result of increased take-out and smaller pools. Further, this has led to a downward cycle that compounds the problem -- as pools have become smaller it has impacted on hard core bettors, who, in turn, go less frequently and as a result this puts pressure on the tracks to increase take-out rates in order to attempt to recover some of their costs or at best reduce losses in live racing.

Racing's competitive position with respect to other forms of gambling should be that (a) the chances of winning money are greater than other forms of gambling, and (b) live entertainment is offered. Since 1982 (a) the amount of money to be won at the track has deteriorated as well as (b) the quality of the live product. Take-out rates must be reduced in order for racing to regain its competitive position and to better market the gambling or opportunity for financial gain aspect of horse racing. Studies have shown that a 3% reduction in take-out rate leads to a 12% to 15% increase in attendance and a 3.5% increase in per capita wagering. If take-out rates are increased by 1% they lead to a 6-7% decrease in per capita wagering. If handles do go up it will also improve the quality of live racing through increased purses and more competitive racing by better horses. Unfortunately for Saskatchewan the increase in take-out rates has been long term. In the short run, it can not be reasonably expected that track operators dramatically lower their commissions. Rather, at best, the continuous increase in take-out rates should be stopped and over the long term take-out rates decreased as handles improve. The only conceivable way for tracks to lower take-out rates at the present time is to lower purses, which are already extremely low. Any further erosion could push the industry to collapse (i.e. owners would refuse to race and invest in inventories). Another possibility would be to lower the Provincial tax. However this would mean cutting the Commission costs and lowering rebates back to the industry for purses and breeding support.

In conclusion, there is no short term strategy to improving at-track wagering. At best, the position that should be taken is not to make it any worse by increasing track commissions. The long term strategy should be to lower take-out rates.

Inter-Track Wagering

The performance of inter-track wagering is closely linked to at-track wagering. Introduced in 1984, inter-track wagering has been a successful innovation for Saskatchewan's horse racing industry. It now accounts for 17.7% of the total handle. However, further growth in inter-track wagering is totally dependent upon the performance of live racing and at track betting.

Simulcast Wagering

Simulcast racing was introduced in 1986 and has been highly successful. It now accounts for 20% of the total handle. In many ways simulcast racing has been the salvation of horse racing in Saskatchewan. It is the only racing product offered at the race track that generates a positive return for the track operators. Simulcasting, even with a 50% commission paid to the host track, results in a positive net margin of 26%. This product is particularly appealing to hard core fans. The per capita bet on simulcast races is 67% greater than the per capita bet on live racing.

However two problems exist with respect to increasing simulcasting at the two principal race tracks. The first deals with the availability of races. By law, a track is restricted to only 40 international races (U.S. races) a year. Regarding Canadian races, very few race tracks are making signals available. This is why Regina and Saskatoon are so reliant on Assiniboia Downs for product. Our market surveys of race fans, and especially hard core fans, suggest that they would prefer to see more than just Assiniboia Downs races. In fact there was a stated preference for Alberta races over those offered by Manitoba.

The second problem relates to the quality of simulcast facilities such as the monitors and sound system. More than 50% of the race patrons surveyed rated the quality of simulcast facilities average to less than average. As a result improvements will be required for simulcasting facilities at both tracks. In essence they should take on the design and performance characteristics of a true betting teletheatre.

Off-Track Wagering

Regina and Saskatoon already offer off-track wagering in what are commonly referred to as "teletheatres". Both tracks have separate audio-visual facilities where patrons can wager on out-of-province races. We explored the feasibility of teletheatres in other Saskatchewan centres, in particular Moose Jaw and Prince Albert. At present Regina and Saskatoon have very low penetration in these markets. In other words the live product in Moose Jaw fails to attract Moose Jaw race fans to Regina and similarly Saskatoon fails to attract Prince Albert fans. However both cities are fairly large with approximate populations of 40,000 each.

In our analysis of establishing teletheatres in these communities, we found that they could be potentially viable. Our preliminary feasibility study has been provided under separate cover.

Given these results we recommended that a pilot project be undertaken in Moose Jaw and Prince Albert. The potential for teletheatre outweighs the risks, particularly as a long term solution to improving the low Saskatchewan handle. The potential for off-track teletheatre, can only be conclusively proven with a field trial.

6. To review the racing programs offered in Saskatchewan's urban and rural racing theatres and make recommendations as to season length, breed specialization (i.e. one track/one breed) and the expansion/location of horse racing.

Currently and for the foerseeable future live horse racing in Saskatchewan can only realistically take place in the Province's two largest cities, Regina and Saskatoon. Live racing that takes place outside of these two cities is presently limited to Yorkton and Melville. The race programs in these two cities account for only 2.5% of live race days presented in Saskatchewan and less than 1% of provincial handle.

In terms of breed specialization, Saskatoon, historically, has "specialized" in thoroughbred and Regina in harness racing. The success of Marquis Downs "sinks or swims" on the basis of thoroughbred racing. Saskatoon's racing fan base prefers thoroughbred racing (67.3%) to harness (14.5%). Since 1985, harness racing has been a major contributor to operating losses at Marquis. As an example, in 1986 Marquis offered the largest harness meet in its history (66 days) and suffered a $459,119 loss. Clearly, if live horse racing is to have a future in Saskatoon, it must be based on live thoroughbred racing and not harness racing.

It is difficult to recommend a precise number of days for the length of a live racing season in Saskatoon. Historically, Saskatoon has offered between 71 and 103 days of live racing. With a thoroughbred-only race season, the most days of live racing that Saskatoon can offer is between 75 and 85 race days. This is largely due to the thoroughbred horse inventory available.

In Saskatoon's case in order to maximize gross revenues the track has to offer as many days live handle as possible. At the present time, 85 days is the maximum number of days that could possibly be offered. Further, for Saskatoon, the more race days that are offered also impacts positively on food, beverage and concession sales which do generate a positive net margin for the track.

In Regina's case, historically, harness racing has performed reasonably well prior to the construction of Queensbury Downs. As in Saskatoon's case split meets have rarely worked. For Regina, split meets have historically meant offering thoroughbred racing in the spring and harness in the summer and fall.

At the present time there simply isn't a large enough thoroughbred inventory to offer thoroughbred racing in both cities. Split meets don't work as one track must have the thoroughbreds during the summer and fall in order to maximize handles. Without hurting Saskatoon's total season handle, the only time available for Regina to have thoroughbreds is during the spring, which historically has never worked.

In 1987 Regina offered, for its first time ever, a harness only race program. While not a dazzling financial year, the track did break even based on 100 days of racing. In 1988 the track offered 117 days of racing which consisted of 81 days of harness and 30 days of thoroughbred. The spring thoroughbred meet was a financial disaster. For 1989 Regina returned to an all harness meet. However, the "bloom" had worn off the new race facilities as both handle and attendance dropped.

Unfortunately for Queensbury it has inherited new race facilities and a per race day production cost that is higher than Marquis. Presently, Queensbury is losing an average $3,300 for every live race day. Not only must Queensbury cut its race days but it must also cut its costs. Larger cities such as Vancouver, Calgary and Edmonton have the market base to offer 100 days of racing, Regina does not.

The increase in the number of live race days at Queensbury has also been a major contributor to the Horse Racing Commission's rising costs. Since 1984 the number of live race days in Regina has increased by 56%, with most of that increase occurring in 1987 and 1988. Rising Commission costs have cut into industry rebates, further damaging the fragile financial viability of the industry.

A reduction in the number of live race days also makes sense from the perspective of a horse inventory. As discussed in a previous section the inventory of harness horses in Saskatchewan has been seriously depleted.

While it could be argued that reducing the number of live days offered will impact negatively on other track revenues such as food, beverage, concessions and admissions, the losses incurred by Queensbury in producing live racing are currently outstripping the net profit margins from these other sources of revenue.

7. **To determine the market for horse racing in the Province of Saskatchewan, and describe the market that horse racing is currently impacting and not impacting on.**

The fulfillment of this objective was achieved through the use of a number of data sources. We utilized both primary research approaches, such as face-to-face and telephone interviews and numerous secondary sources. These secondary sources of data included Agriculture Canada publications, information collected from the tracks, other studies undertaken on the industry and a census-driven market research database, to name a few.

In the Canadian context, the province's two tracks exhibit the highest growth rates in the country with respect to attendance, but have the lowest per capita bet out of all major metropolitan centres.

In terms of market origin, virtually all of the attendance of horse racing in the province is generated from within Saskatchewan. Both of the tracks are also very dependent on their cities of residence for provision of attendance.

The province's existing horse racing market consists of approximately one-fifth of Reginian's and Saskatoonian's aged 19 and over. This means that approximately 60,911 individuals generated last year's combined track attendance of 215,908. Just over 89% of these individuals are termed "occasional attenders" while almost 11% would be classified as "core patrons".

The occasional attender (89.2% of the racing market) visits the track, on average, twice per year, meaning that this large group of individuals is responsible for only 50.3% of total provincial attendance. The core patron (10.8% of the racing market) visits the track, on average, 16.3 times per year. This core group of 6,579 individuals is responsible for nearly 50% of track attendance and 64% of the total provincial handle.

Although this core patron is vital to sustaining the horse racing industry in the province, our research shows that this support is eroding. While 59% of this core group is maintaining their current attendance level, only 11% are increasing their attendance compared with 30% who are attending less often.

Who are these race patrons? Using terminology implemented throughout our market analysis, and described in Appendix A, the two largest markets for horse racing in both Regina and Saskatoon are the upper middle/middle class households and empty nester households. This is not a surprising finding, however, as these two groups make up the largest segments of the population in each city.

With respect to market penetration (a measurement of success achieved in each market segment after removing the population bias), affluents, upscales, lower income, young couples and empty nesters are overrepresented in their attendance of Queensbury Downs while the upper middle/middle class, empty nesters and old and retired are overrepresented at Marquis Downs. These findings lead to some obvious conclusions that will form the basis of a marketing strategy to be outlined later in this report.

These conclusions are as follows:

- The core patron is extremely important to the survival of both tracks. This group reports that, on a net basis, its attendance of horse racing is declining.
- A large base of occasional attenders exists in both cities. This group is not as "productive" as the core group in terms of visits per person, or per capita bet. However, this group has expressed at least an initial interest in horse racing.
- Some market segments offer potential for new market growth. These segments still have some room for providing new occasional attenders (refer to Appendix A for complete definitions of each market segment):
    - While the middle/upper middle class segment is a major market for Queensbury Downs (24.6% of patrons), there is clearly room to grow in this market as this segment comprises 27.2% of Regina's population.
    - Queensbury Downs draws only 11.6% of its patrons from the working class segment, yet this market accounts for 14.3% of Regina's population (almost 10,000 households).
    - Queensbury Downs does not perform well in the young singles market. Only 5.6% of race fans are young singles compared to 10.5% of Regina's population.
    - The Young Singles market is a more important segment of Saskatoon's population. However, even though they comprise 16.9% of the city's household population, they account for only 11.7% of Marquis race-goers. This is a reasonably large market, at 12,906 Saskatoon households.
    - The Working Class segment may also offer some potential for Saskatoon's track. Under 14% of Marquis Downs' race-goers are members of the Working Class segment, while this group accounts for 13,428 households, or 17.5% of the City's population.

- The farming market segment offers potential for growth for both tracks. At present, Queensbury attracts 21% of its patrons from outside of the City of Regina, compared to 25% for Marquis Downs. In expanding this out-of-city market, farmers present the best individual market segment upon which to increase attendance within a forty-five minute driving distance of the track.

8. To review the marketing of horse racing in general in Saskatchewan and specifically in the cases of Regina and Saskatoon and make recommendations as to how the effectiveness of current marketing programs can be improved. How can this industry position itself in the marketplace?

A number of intersting findings resulted from our efforts to address this objective. The following summary highlights various conclusions that will have a strong impact on the market strategies developed later in this chapter.

As a general summary statement regarding the past marketing activities of the horse racing industry, these efforts appear to be too focused on bringing new people to the track. A balance must be achieved between creating new patrons, and serving them well at the track. A "service-orientation" and "personal touch" are watch-words in numerous industries across North America and the rest of the world. This concept definitely has its place in horse racing, which is facing ever-increasing competition in the province.

Promotion that has occurred in the past has not been particularly effective. When fans were queried at the beginning of the year's season about the manner in which they heard about a given day's race program, only 21% were informed by traditional, paid media sources such as newspapers, television and radio. The majority of patrons are informed about a given day's race program by their own experience, or by word-of-mouth which underlines the need to treat well those that are at the track.

With respect to perceptions about the horse racing product, the all-important core patron considers it as a form of gambling while the occasional attender sees it as a type of entertainment. This poses an interesting marketing problem in terms of avoiding confusion of the market and will have to be given sensitive treatment in the development of the strategy to follow.

Taking a closer look at the core patron, if horse racing is indeed considered a "brand of gambling" by this group, then not enough is being done to create "brand loyalty". Many innovative approaches are being taken in other industries towards creating such loyalty, and we will discuss one such method in the development of the marketing strategy.

The need for the creation of this brand loyalty is highlighted by horse racing's loss of market share over the past decade. The industry possesses only one-seventh of the share of the gambling market that it had in 1980. Bingos, lotteries and Nevada tickets, propelled by ease of accessibility and simplicity of play, as well as greater perceived opportunity for financial gain, have made huge revenue gains.

To respond to increased competition from other types of gambling, horse racing must attempt to counter the advantages that bingos, lotteries and Nevada tickets possess. In terms of simplicity of play, horse racing fans that are at the track do not find the betting process difficult -- even the inexperienced patrons. However, this message must be conveyed to the non-patron. Options for creating greater accessibility to the product are discussed in the appended report on off-track betting. Lastly, we will discuss options for creating greater opportunity for financial gain later in this report.

With respect to other perceptions with regard to horse racing, almost half of race patrons feel that the entertainment cost of horse racing is greater than other forms of gambling. This perception may exist to a greater extent amongst non-patrons. While it is feasible to lower this perceived entertainment cost, a message that horse racing is "good value for money" must obviously be communicated to patrons and non-patrons alike.

Horse racing is obviously facing competition from non-gambling leisure activities. These pursuits, such as dining or visiting with friends and relatives can be packaged with the horse racing product rather than viewed as activities competing for the potential horse racing patron's time.

With respect to the horse racing product itself, a fair degree of satisfaction amongst existing patrons exists. Generally, Queensbury Downs has more reasons for improvement in the minds of existing patrons than does Marquis Downs. Not only being responsive, but also appearing to be responsive to the concerns of clientele will aid in retaining current patrons and generate more repeat visitation from new owners.

Live racing is by far the most popular product format. Core patrons are amenable to a wider range of options such as simulcast and intertrack. Thus, the appeal of live racing should be emphasized in any attempts to recruit new patrons. Additionally, horses have a strong appeal to the occasional or non-frequent attenders. Over 55% of this group likes horses "very much". Methods of capitalizing on this knowledge will be introduced in the development of the marketing strategies.

There is also a high degree of satisfaction with the current wagering programs at the tracks. The simplest forms of betting are not necessarily the most popular. This finding, of course, is no doubt due to the influence of core patrons in our surveys. However, the "Win", "Place", and "Show" options seem to be easily understood by the inexperienced.

Lastly, a substantial potential market exists that has attended horse racing in the past 15 years. A fairly high awareness of current horse racing marketing programs exists amongst this group. These programs appear to have been reasonably effective, as nearly half of those aware of them report that they may influence them to attend.

Although these promotions have been successful in generating additional track attendance, our findings indicate that a resultant positive impact will occur on the financial health of the industry likely only in the long-term. New attenders generated by this year's promotional efforts exhibit, not surprisingly, very low per capita bets.

As indicated previously, the market strategy must have a focus on customer service which aids in retaining the first-time visitor. Our findings indicate that tenure as a race patron correlates positively with the size of per capita bet.

9. Review the industry's current approach to corporate sponsorship and determine how corporate sponsorship of horse racing can be improved.

Corporate sponsorship presents another opportunity for a race track to generate revenue. In 1989, particularly in the case of Saskatoon, Marquis Downs had good success in attracting corporate sponsors and raised $70,000. The corporate sponsors for 1989 such as Turbo, Air Canada and Coca Cola have all indicated that they would again participate in similar sponsorship programs.

In a preceding analysis we found that horse racing compares favourably with other events in Saskatchewan. In terms of attendance it is the second most attended event, exceeding the attendance of such events as Agribition and the Big Valley Jamboree. Only event attendance at Saskatchewan Roughrider football games exceeds racing's attendance.

Unfortunately the uncertainty surrounding the future of horse racing impacts negatively on securing sponsors. Sponsorship planning should begin well in advance of the race season. Potential sponsors should be presented with the 1990 race plan highlighting special event days and track promotions. With advance planning and a more positive environment surrounding the future of horse racing in Saskatchewan, it would not be unreasonable to expect that each track could attain a level of $100,000 in corporate sponsorships.

10. To establish market targets for the growth of horse racing in Saskatchewan and outline a program for market and product development that would achieve those targets.

In a previous section dealing with track operators, it was determined that horse racing in its current form is not financially viable. Unfortunately both urban tracks are operating in what could be described as a "falling market". Outlining a product and market development program based on increasing handles or continued government purse support would be a completely unrealistic set of circumstances for the industry's future.

The targets for horse racing in Saskatchewan to follow in the immediate future will not be on the market side but rather on the supply side. Horse racing must reduce its costs if it is going to survive. Attendance and handles for most small tracks, outside of Ontario are decreasing in Canada. One cannot realistically base a strategy or plan for horse racing in Saskatchewan based on increased handles.

A realistic plan that is directed at achieving an economically viable horse racing industry must be based on:

- Reducing live race days
- Increasing the number of simulcast days offered, which do produce a positive net margin.
- Reducing the cost of delivering the live product
- Reducing horse racing's cost of administration at both the Commission and operator levels.

On the market side, the product and in particular, the gambling aspect of horse racing must be improved. It is our firm belief that the single greatest contributor to horse racing's current problems has been increases in take-out rates. This is why horse racing has lost market position to other forms of gambling. This has impacted heavily on horse racing's core group of bettors. It is this group of race fans that will determine the future of racing in Saskatchewan. At the same time, the reduction of take-out rates will be long term.

11. Address the role that the Government of Saskatchewan should play in regard to supervision of the industry and development of positive incentives for the industry.

The Government of Saskatchewan has played largely a complacent role with regard to horse racing in Saskatchewan. In fact, the role that the Government of Saskatchewan has been playing of late is a major funder for the industry. The industry has historically had a strong reliance on the Government of Saskatchewan, beginning with the full rebate of the Government's 10% tax in the 1970's. Today the industry is even more reliant on Government. The 1989 race season would not have happened without an injection of $750,000. The Government of Saskatchewan was also a major source of funds for the development of Queensbury Downs.

More than often, horse racing has evolved, from year to year, on a "next year country" scenario. While this philosophy is sometimes applicable to Saskatchewan's agricultural industry it does not apply to horse racing.

In 1975, the Government and track operators came to an agreement regarding the 10% pari-mutuel tax. It was agreed by the Government that there would be a full rebate of the tax to inject more money into purses and plant support. It was intended that after two full years of full rebate it would diminish to the 1975 level. All agreed that this initiative would be a "springboard" from which to launch a viable industry and that the "natural growth" of racing would offset this short-term adjustment. Needless to say this was not a short term adjustment and the Government of Saskatchewan has failed to achieve any direct revenue gain from the industry. In fact the reverse has occurred in 1989 with government having to make an investment in the industry. Further the level of live handle in Saskatchewan has actually declined from $15 million to $13.8 million.

Both industry and Government have lived on an unfounded belief that horse racing will "turn around". That belief has led both the industry and Government towards a very untenable position. The industry is in very deep financial trouble at this time. The circumstances that the industry now finds itself in could have been avoided. Racing's problems are really associated with a declining daily handle. This is a direct result of increasing costs and track commissions. This in turn has resulted in declining attendance and handles as betting pools have become progressively smaller. One really has to question the construction of Queensbury Downs when such trends were already evident. As opposed to following a strategy of decreasing costs and track commissions, Queensbury did entirely the opposite. Possibly if Government had taken a more "interventionist" role the industry would have addressed some of its key problems several years ago. This would have meant telling the industry to cut costs in light of a continuing trend of decreasing daily handles. This could have been dealt with through Government asking the industry to produce a financial plan for the industry prior to the release of the pari-mutuel tax which is the only lever available to Government to enlist some change in the industry.

An idea proposed to Government was a "racing for health concept". We assume that this concept means aligning horse racing with the province's health care system. It is somewhat akin to the relationship between lotteries and the support of amateur sports and cultural organizations in Saskatchewan which has been an extremely profitable one. However there is a major difference between lotteries and horse racing -- lotteries make money while horse racing doesn't. There is no possible way that horse racing could generate any funds for the Province's health care system which would also increase attendance and wagering at the race tracks. Take-out rates would have to be increased even further. Horse racing fans are primarily interested in wagering for financial gain and not in supporting Saskatchewan's health care system.

A much better idea would be to propose a marriage between horse racing and Canadian football. While this would require federal/provincial legislation, the concept is a sound one. A number of Canadian race tracks such as Queensbury and Marquis are set-up for simulcasting of not only horse racing but other sports events. In the U.S. there is a growing interest in establishing public betting pools for sports such as NFL football. In Canada simulcasting and providing wagering opportunities on live football games could greatly benefit both football and horse racing. Such a system would licence race tracks with acceptable facilities to receive simulcast football games and offer fans, through existing tote systems, the opportunity to wager on the outcomes of football games. In other words race tracks would become licenced betting teletheatres for football. In the same way that live football is "blacked-out" in the host communities on game day it would be in Regina. However fans would be given the opportunity to wager on "away" games and other CFL games that were being played. With some facility improvements both Regina and Saskatoon would be excellent betting teletheatre venues for football. It would better position the two tracks as sport, entertainment and gambling venues. It would also improve their marketability as a facility for sports banquets and other entertainment events. It would also bring football fans much closer to the track's racing product and that will clearly benefit horse race wagering. Our market surveys have shown that football is the highest attended and most "watched" sport in Regina and Saskatoon.

8.3 Implementation Strategy

Our last objective deals with the development of "a comprehensive implementation strategy identifying the roles and responsibilities of key plan participants". Given the importance of this objective, an entire section of our report is directed at it.

In our opinion, Saskatchewan's horse racing industry, in its present form, does not have much of a future and will self destruct. The following observations can be made in support of that conclusion:

- As a general trend in Canada, wagering on horse racing is declining
- Smaller Canadian race tracks are experiencing the greatest declines in attendance and handles
- The Canadian Horse Racing Industry is centralizing. A future scenario would suggest that only major centres can profitably support horse racing.
- Saskatchewan's live racing handle has dropped by 46% since 1982.
- Horse racing is supported by a relatively small number of hard core fans which are estimated to be only 6,570 people. This group is responsible for almost 65% of the provincial handle. The present and future of the industry greatly depends on the satisfaction of racing's product offering with this key market segment.
- Core patrons have told us that, on average, their attendance has been decreasing rather than increasing over the past five years. By this we have inferred that they are bocoming increasingly dissatisfied with racing's product offer.
- Since 1984 the costs of presenting live racing have increased dramatically relative to handles. It appears that the more handle drops the more costs increase.

- The cost of operating the Saskatchewan Horse Racing Commission has increased by 43.8% since its inception in 1984 which is largely the result of increasing the number of days of live racing.
- Both Regina and Saskatoon lose money on live racing. This is particularly the case with Queensbury where live racing results in a daily loss of almost $3,300 for every day of live racing presented.
- Relative to handle, Saskatchewan has the highest level of gross purse payments in Western Canada.
- Saskatchewan has the highest take-out rate[1] in Western Canada while daily handles are the lowest.
- Particularly in the case of harness racing, breeding has declined dramatically as well as Saskatchewan resident ownership of standardbreds. From a supply perspective the future of harness racing is not at all assured.

In reviewing the foregoing, the single largest problem facing horse racing in Saskatchewan is take-out. A number of the problems that horse racing now faces are symptomatic of this one problem. Increasing take-out has resulted in horse racing losing its competitive position with respect to other forms of gambling. Increasing the take-out rate has impacted on handles and the more handle has declined the more operators have increased track commission. Increased take-out has also led to lower purse payments which in turn has impacted on inventories. Saskatchewan's combined take-out rate for Agriculture Canada, the provincial pari-mutuel tax and track commission now exceeds 26% compared to 17.4% in Alberta and 21.9% in Manitoba. The optimal position should be in the order of 20%. Unfortunately for Saskatchewan, while it has taken a number of years for take-out rates to reach 26% it will also take a number of years to be reduced. A particularly gloomy prognosis for the industry is the impending introduction of the Federal Government's Goods and Services Tax (GST). In our opinion the application of this tax to horse racing would very likely be the end of horse racing in this province. The net effect would be to further increase already high take-out rates to the point where the industry would collapse financially.

We believe the foregoing to not only be a frank but correct analysis of the industry's current position. Further, we have real doubts about the future of horse racing in Saskatchewan regardless of whatever plan is adopted. The following recommendations are made on the basis of what the industry must do to have any reasonable chance of surviving in the next three to five years while realizing that it will take a number of years, if at all, for horse racing to become an economically viable industry in Saskatchewan.

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[1] Take-out meaning pari-mutuel tax, track commission, etc. -- in essence, it means what is left for the bettor after race tracks and governments take their share of the handle.

1. Formation of An Implementation Committee

A working committee consisting of track representatives, exhibition associations, horsemen and government representatives needs to be formed to consider the implementation of, either in whole or in part, the recommendations that follow. For now that vehicle would be the Industry Ad Hoc Committee recently formed in 1989. At this point it should be considered as a working committee that has the authority of the organizations it represents to carry out the recommendations that it approves.

2. Development of a Common Financial Reporting System for the Race Operations of Both Queensbury and Marquis

The lack of a common financial reporting system for the two race tracks totally frustrates a meaningful and accurate analysis of the operations of the Province's two largest race tracks. While it is recognized that the cost of operating Queensbury Downs race operations relative to Marquis is higher, a common financial reporting system would be extremely helpful for not only the implementation of cost cutting measures but also to measure more accurately the performance of the two race operations on a department by department basis. Alternatively, the lower net operating revenues generated by Marquis Downs' food, beverage and especially Nevada sales should also be examined. These departments would include:

- Administration Department
- Marketing Department
- Facilities Department
    - -- Backstretch
    - -- Race Plant
- Live Racing Department
- Simulcast Racing Department
- Programs Department
- Admissions Department
- Depreciation and Interest

Further to this all costs should be broken out on a fixed and variable cost basis. A meaningful cost cutting program cannot take place without such a financial reporting system. We do not anticipate that this kind of reporting will require major changes to either track's accounting system or necessitate hardware and software purchases. What we are recommending is that a good financial reporting system be developed on a similar basis for both tracks in order to provide better information for decision making.

3. Development of a Common Administration for Horse Racing Operations at Regina and Saskatoon

A number of management functions performed at each race track are similar such as racing manager, race secretary, promotion/marketing, and accounting. Given today's advanced communication technology, such as fax, modems and telephone conferencing, it should be entirely possible to operate the two tracks as a single operation. This management team will be responsible for race operations not including food; beverage and concession services.

A new position for a Director of Saskatchewan Horse Racing will be created. That individual will have overall responsibility for horse racing operations for both tracks and will report to the two Exhibition Boards regarding the planning and performance of horse racing. We would anticipate that the salary for the new director would be obtained through cost savings brought about by collapsing the two existing organizations into one.

We would recommend the formation of a separate non-profit corporation for the two race track operations (i.e. Saskatchewan Horse Racing Inc.) to which the Director of Saskatchewan Horse Racing would report. It would have its own Board of Directors, drawn from the two exhibition societies, government, the Racing Commission and other private corporations in the two communities. This corporation would have both functional and financial responsibility for racing operations at both Regina and Saskatoon.

One of the first duties of the new Director of Racing, who would be selected from an open competition for the position, would be to oversee the addition of a common financial reporting system as outlined in Recommendation #2.

4. Implementation of Industry Cost Cutting Program for Track Operators

Once a common financial reporting system has been enforced, a major cost cutting program for track operators can be implemented. If designed properly such a system can:

- Reduce operating costs by having
    - single accounting department
    - single computer system
    - single programs department
    - centralized marketing
    - centralized management
- Increased administrative efficiency
- Improved financial and performance reporting
- Be more responsive to change

In our opinion as much as $200,000 could and should be cut from current race track expenditures. In particular, cost cutting for Queensbury would be priorized. The Director for the new corporation would be responsible for conducting the cost cutting program. Recommendations would be made to the Board of Directors for their approval.

It would be expected that the director would make monthly as well as major quarterly financial reports for racing operations to the Board of Directors.

5. Increased Simulcasting of Out-of-Province Racing

Very clearly, simulcasting has been the most successful program innovation in the recent history of Saskatchewan horse racing. In fact it is the only profitable component of current race operations.

Both tracks should offer as many simulcast races as possible. Rather than relying heavily upon Assiniboia Downs the tracks should obtain races from other tracks in Western Canada and Ontario. The present commissions paid to Assiniboia Downs also appear to be excessively high.

While simulcasting more may present somewhat of a threat to live racing, it really should be regarded as an interim measure to improve the financial viability of the industry until purses and inventories for the live product improve.

As mentioned previously in this report both tracks will also have to improve their simulcast facilities. Patrons rated the performance of the monitors and sound systems to be average to poor.

6. Implementation of Pilot Teletheatre Betting Operations in Moose Jaw and Prince Albert

Our analysis of the potential for teletheatre betting was largely positive. As a pilot we would recommend the establishment of pilot theatres in Moose Jaw and Prince Albert. A qualified operator would be sought from the local hospitality industry in those cities. The application/approval process would be similar to the Government's current process for licensing brew pubs.

We would recommend that in cooperation with the Racing Commission, the new horse racing administration fully evaluate this proposal. Further the new administration should also be responsible for overall management of the new teletheatre from the perspectives of race selection and development of an operating agreement with the local teletheatre operator.

7. Establishment of Race Meets and Dates

Our research has shown that:

- Historically Marquis performs better financially with thoroughbred only.
- Historically Queensbury performs better financially with harness only.
- Historically split meets have generally not been financially successful for either track.
- On a per live race average, Queensbury loses more money than Marquis [i.e. a net margin of ($2,588) for Marquis compared to ($3,300) for Queensbury]. The reason for this is a combination of higher operating costs and lower handles for harness racing at Queensbury.
- Daily live handles at both tracks are decreasing.
- The longer the live racing season, the greater are the racing commission costs.
- Inventories for harness horses are decreasing.
- In its present form horse racing in Saskatchewan is not viable without continued purse subsidization.

At a meeting with the Industry's Ad Hoc Committee the following race program for 1990 was presented as an option for discussion.

- 80-85 days of live thoroughbred racing at Marquis
- 47 days of live harness racing at Queensbury
- 120 days of simulcast races at each track.

The rationale for this race program option is based on the historical financial performance of both tracks and costs of offering live racing. In Saskatoon's case, while live racing does not generate a positive net profit the more days offered brings Marquis closer to breakeven with food, beverage and concession sales. The thoroughbred inventory in Saskatchewan is also improving.

In Queensbury's case the same analogy does not hold true. The longer the season, the more money the track will lose. Further, this directly affects the costs of the Saskatchewan Racing Commission. In addition, the inventory of harness horses is declining.

The track operators responded to this proposal with Marquis proposing 84 days of live thoroughbred racing and Queensbury 66 days of live harness racing. Both track operators propose to increase simulcasting for 1990, but the S.H.R.C. intends to limit simulcasting to 95 days at each track.

Both horsemen's associations rejected these proposals. In the case of the thoroughbreds, while the length of the season was viewed as sufficient, the location of racing was not. Thoroughbreds would like to race in Regina for at least 30 days in the summer.

In the case of harness horsemen the entire proposal was rejected. Without 90 to 100 days of live horse racing at Queensbury the position of the harness horsemen was that it was not economically feasible to race. If only 66 days of live racing was offered it was indicated that harness horse owners would refuse to race. Increased simulcasting was also rejected because it was feared that it would eventually kill the live product. The firm position of the harness horsemen was to retain the present 1989 format.

Unfortunately, while a dramatic change for horse racing in Saskatchewan is required at this time in order for the industry to achieve viability without continued subsidization, that change will not be readily accepted by all the industry's key players. We evaluated four possible alternatives to assess whether or not the goal of viability could be attained. Tables 81 and 82 summarize the results for each alternative, if implemented for 1990 and 1991. In all cases we have assumed 95 out-of-province simulcast days, which is currently the maximum levels for simulcasting approved by the S.H.R.C. Increased simulcasting would improve all financial scenarios. In addition, we have assumed the 1990 rebate to the industry from the parimutuel tax to be $850,000 as currently recommended by the S.H.R.C. The average daily handles have been projected at 1989 levels and at 1988 levels for the winter harness meet that year. Lastly we have calculated operating results without government purse subsidization and as a means to determine purse subsidization that would be required, we have shown what operating results would be if purse levels were to be maintained at targeted level of $12,500 per race day established prior to the 1989 race season for 1990 and 1991.

Alternative #1: 88 Days of Live Thoroughbreds at Saskatoon, 66 Days of Live Harness at Regina with 120 Days of Simulcast Racing at Each Track

Advantages

1. Least disruptive change to the industry in its current form

TABLE 81

PROJECTED OPERATING RESULTS FOR 1990

	Alternative #1 154 Live Race Days 95 Simulcast Days Saskatoon - 88 Days of Thoroughbred Regina - 66 Days Harness	Alternative #2 120 Live Race Days 95 Simulcast Days Regina - 30 Days Winter Harness Racing Saskatoon/Regina - 90 Days Thoroughbred	Alternative #3 108 Live Race Days 95 Simulcast Days Regina - 27 Days Fall Harness Racing Saskaton/Regina - 90 Days Thoroughbred	Alternative #4 90 Live Race Days 95 Simulcast Days 90 Days Thoroughbred in Regina/Saskatoon
PURSES				
Average Daily Live Handle	$ 64,285	$ 70,500	$ 66,250	$ 69,000
Revenue	9,900,000	8,460,000	7,155,000	6,210,000
Parimutuel Tax Rebate	850,000	850,000	850,000	850,000
Less Commission Cost	-	-	-	-
Return to Industry	-	$ -	$ -	$ -
Tax on Simulcast Revenue	-	-	-	-
Total Return to Industry	$ 850,000	$ 850,000	$ 850,000	$ 850,000
Horsemen's Rebate (Purses)	425,000	$ 425,000	$ 425,000	$ 425,000
Track's Share	425,000	425,000	425,000	$ 425,000
Purses				
8% of Handle	792,000	$ 676,800	$ 572,400	$ 496,800
Rebate	425,000	425,000	425,000	425,000
Purse Stabilization	0	0	0	0
Sponsorships	100,000	100,000	100,000	100,000
Total	$ 1,317,000	$ 1,201,800	$ 1,097,400	$ 1,021,800
Average Daily Purse	8,552	10,015	10,161	11,353
1989 Purse Stabilization Target	12,500	12,500	12,500	12,500
Difference Between Average Daily and Purse Stabilization Target	(3,948)	(2,485)	(2,339)	(1,147)
Track Operator Statement @27% Takeout				
Track Rebate	$ 425,000	$ 425,000	$ 425,000	$ 425,000
Rebate for Purses	425,000	425,000	425,000	425,000
Track Commission (16%)	1,584,000	1,353,600	1,144,800	933,600
Net Simulcast Revenue	206,739	206,739	206,739	206,739
Purse Stabilization	0	0	0	0
Sponsorships	100,000	100,000	100,000	100,000
Admissions/Programs/Other	310,629	284,516	260,851	240,315
Total Revenues	$ 3,051,368	$ 2,794,855	$ 2,562,390	$ 2,330,654
Track Cost	$ 2,541,000	$ 2,029,830	$ 1,817,552	$ 1,533,480
Purses	1,317,000	1,201,800	1,097,400	1,021,800
Total Expenses	$ 3,858,000	$ 3,231,630	$ 2,914,952	$ 2,555,280
Net Food/Beverage/Nevada Revenue	$ 438,570	$ 347,940	$ 309,531	$ 250,110
NET INCOME	$ (368,062)	$ (88,835)	$ (43,031)	$ 24,484
NET INCOME that would result from Purse Payments at 1989 Purse Target	$ (976,054)	$ (387,035)	$ (295,643)	$ (77,746)

TABLE 82

PROJECTED OPERATING RESULTS FOR 1991

	Alternative #1 154 Live Race Days 95 Simulcast Days Saskatoon - 88 Days of Thoroughbred Regina - 66 Days Harness	Alternative #2 120 Live Race Days 95 Simulcast Days Regina - 30 Days Harness Saskatoon/Regina - 90 Days Thoroughbred	Alternative #3 108 Live Race Days 95 Simulcast Days Regina - 27 Days Harness Saskaton/Regina - 90 Days Thoroughbred	Alternative #4 90 Live Race Days 95 Simulcast Days 90 Days Thoroughbred in Regina/Saskatoon
PURSES				
Average Daily Live Handle	$ 64,285	$ 70,500	$ 66,250	$ 69,000
Revenue	9,900,000	8,460,000	7,155,000	6,210,000
Parimutuel Tax Rebate	990,000	846,000	715,500	621,000
Less Commission Cost	450,000	450,000	450,000	400,000
Return to Industry	$ 540,000	$ 396,000	$ 265,500	$ 221,000
Tax on Simulcast Revenue	441,750	441,750	441,750	441,750
Total Return to Industry	$ 981,750	$ 837,750	$ 707,250	$ 662,750
Horsemen's Rebate (Purses)	490,875	$ 418,875	$ 353,625	$ 331,375
Track's Share	490,875	418,875	353,625	$ 331,375
Purses				
8% of Handle	792,000	$ 676,800	$ 572,400	$ 496,800
Rebate	490,875	418,875	353,625	331,375
Purse Stabilization	0	0	0	0
Sponsorships	100,000	100,000	100,000	100,000
Total	$ 1,382,875	$ 1,195,675	$ 1,026,025	$ 928,175
Average Daily Purse	8,980	9,964	9,500	10,313
1989 Purse Stabilization Target	12,500	12,500	12,500	12,500
Difference Between Average Daily and Purse Stabilization Target	(3,520)	(2,536)	(3,000)	(2,187)
Track Operator Statement @27% Takeout				
Track Rebate	$ 490,875	$ 418,875	$ 353,625	$ 331,375
Rebate for Purses	490,875	418,875	353,625	331,375
Track Commission (16%)	1,584,000	1,353,600	954,000	993,600
Net Simulcast Revenue	206,739	206,739	206,739	206,739
Purse Stabilization	0	0	0	0
Sponsorships	100,000	100,000	100,000	100,000
Admissions/Programs/Other	325,562	283,128	244,672	222,492
Total Revenues	$ 3,198,051	$ 2,781,217	$ 2,403,461	$ 2,185,581
Track Cost	$ 2,541,000	$ 2,029,830	$ 1,817,552	$ 1,533,480
Purses	1,382,875	1,195,675	1,026,025	925,175
Total Expenses	$ 3,923,875	$ 3,225,505	$ 2,843,577	$ 2,461,655
Net Food/Beverage/Nevada Revenue	$ 438,570	$ 347,940	$ 309,206	$ 250,110
NET INCOME	$ (287,254)	$ (96,348)	$ (130,585)	$ (25,964)
NET INCOME that would result from Purse Payments at 1989 Purse Target	$ (829,334)	$ (400,668)	$ (454,585)	$ (222,794)

2. Both Exhibition Associations have approved this alternative for implementation in 1990.

3. Some improvement in financial performance, particularly for Queensbury with the reduction in live race days.

4. Reduced race season could reduce the Racing Commission's costs.

Disadvantages

1. Requires continued Government subsidization if current purse levels are to be maintained.

2. Fails to satisfy customer (fan) preference where 50% of fans want to see thoroughbreds, 33% would like to see both breeds and only 16% want to see a harness only program.

3. Cost savings with a common race administration are not as great. Racing will likely still require two tote systems.

4. Both breeds do not endorse this option. Harness horsemen have indicated that they will not race under this alternative and have requested over 90 days of live racing.

Conclusions

This alternative is not a formula for future viability. Even if Government purse support is the same for 1990 (i.e. $650,000) both tracks will report financial losses for 1990 at or near the same level in 1989.

If purse stabilization is cut altogether the industry could collapse. As a long term solution this alternative is simply not viable.

Alternative #2: Winter Harness Racing in Regina and Summer Thoroughbred Racing in Saskatoon

Advantages

1. Both breeds would run unopposed.

2. Saskatchewan offers a form of year-round racing.

3. Maintains live racing for both breeds in Saskatchewan

4. Satisfies fan breed preference.

5. Increased cost savings with a single race administration.

6. Previous winter harness meet did produce relatively high handles.

Disadvantages

1. Impacts negatively on simulcast revenue that could be generated in the winter and spring.
2. Queensbury and Marquis would continue to experience financial losses.
3. This alternative would be unacceptable to harness horsemen if they could not race in the summer.
4. Potential for some thoroughbred owners/trainers not to participate in a Regina meet.

Conclusions

While we have found some interest in this alternative in various segments in the industry, its financial performance is comparatively poor. Continued subsidization on behalf of the Government of Saskatchewan would be required. Further we have likely understated the costs of winter harness racing. Lastly horse availability and competition for horse supply with Assiniboia Downs could be potential problems.

Alternative #3: Modified Status Quo with a 27-Day Fall Harness Meet in Regina and 90 Days of Thoroughbred in Regina and Saskatoon

Advantages

1. Single administration for horse racing in Saskatchewan would be cost effective.
2. Reduced Racing Commission costs.
3. Satisfies fan breed preference in the two cities.
4. Reduced government subsidization.
5. Reduces number of head-to-head days (i.e. simultaneous racing at both Queensbury and Marquis on the same day).

Disadvantages

1. Requires change from status quo.
2. Would discourage investment and breeding in harness sector.
3. Requires single administration for track operators to share revenues, costs.

Conclusions

This option produces the second best operating results in 1990. However it could result in a very dramatic change for the harness industry in Saskatchewan.

Alternative #4: Thoroughbred Racing Only at Both Regina and Saskatoon

Advantages

1. Single administration for horse racing in Saskatchewan would be cost effective.
2. Reduced Racing Commission costs.
3. Province can specialize in one breed and can improve both breeding and product presentation at the race track.
4. Resident ownership and breeding is currently stronger for thoroughbreds.
5. Alternative is appealing from a fan perspective. Market surveys indicated very strong fan preference for thoroughbred racing in both Saskatoon (67.3%) and Regina (50.0%) compared to harness racing (14.5% in Saskatoon and 15.5% in Regina)
6. Produces the best financial results.

Disadvantages

1. Totally collapses one breed of racing in Saskatchewan, adversely effecting the lives of over 1,000 people.
2. A drastic change which operators may be unwilling to commit to.
3. A formula for sharing race dates and racing revenues/losses between the two Exhibition Societies would be required.
4. Live race days in Saskatchewan would be cut almost in half.

Conclusions

While this program option is a very dramatic change in Saskatchewan horse racing it is the most viable of the four alternatives, if accepted. For the horsemen purses can improve dramatically. We have calculated track costs at the current costs of offering racing at the two race tracks. A 12% reduction in track costs would result in improved operations. With a single administration a target of reducing operating costs by 12% could be easily attainable. We have also used a relatively low level of handle of $69,000 which is reflective of current circumstances. Should handles improve, this alternative would be particularly attractive.

In addition to this, a single race administration or corporation operating a thoroughbred-only race operation for the cities of Saskatoon and Regina would also be responsible for operating teletheatres in Prince Albert and Moose Jaw. Positive net revenues generated by teletheatre wagering could be used for both purse support for the live product and improving the financial performance of the two live racing theatres. They could also be used for the development of rural racing in Saskatchewan which would also complement the introduction of teletheatres.

The thoroughbred-only option was presented at a meeting with representatives from the two Exhibition Boards. Both Exhibition Associations expressed interest in this alternative. However, it was rejected as being too radical for adoption in 1990. In particular, the Regina Exhibition Association indicated that while such an alternative appeared to have potential, it was far too radical a proposal to put forward at this time. However, the adoption of this alternative, after a full and detailed evaluation in 1990, was not ruled out for implementation in 1991.

Unfortunately, by not adopting a thoroughbred-only/one race administration concept for 1990, the industry is only delaying implementation of a proposal that has potential to lead to a viable self-sustaining industry in favour of one that will require continuation of government subsidization. There is also a very real consideration that Prairieland Exhibition Corporation could close its race operations if 1990 results in a substantial loss. Comparatively, Prairieland is in a poorer position than the Regina Exhibition Association to absorb continued financial losses from its racing operations.

8. Recommended Market Development Strategy

Our proposed marketing strategy for the horse racing industry in Saskatchewan has three major objectives. These are:

- to stop the core patron base from eroding;
- to convert occasional attenders to core patrons; and
- to tap the potential market for horse racing by recruiting these who are currently non-patrons.

In terms of priorizing the achievement of these objectives, the first and third goals must be achieved in the short to medium term, while the second will be a long-term endeavour.

A description of strategies aimed at achieving each of these goals follows:

(1) Stop the Core Patron Base from Eroding

A. Combat Competing Forms of Gambling

One reason that the core patron base is eroding is that other gambling options have consumed a greater share of gambling participation and revenues in the province over the past decade. The horse racing industry, therefore, must combat the disadvantages that it has relative to other forms of gambling. This is an important strategy as over half of the core patron base considers horse racing as a form of gambling as opposed to a sport or type of entertainment. The primary advantages that competing forms of gambling have over horse racing are:

(1) ease of accessibility to the locations where the gambling activity occurs

(2) simplicity of play

(3) perceived better opportunity for financial gain

The manner in which the horse racing industry can attempt to overcome each of these competitive disadvantages is outlined below.

(1) One of the main reasons for the staggering rate of growth in venues accruing to other types of gambling in the province is the proliferation of bingo halls and lottery kiosks. Because the horse racing product is so facility-intensive, it is difficult to combat this problem. The only option that can be implemented to increase the ease of accessibility to the horse racing product is teletheatre wagering.

(2) With respect to simplicity of play, existing patrons do not find the betting process associated with horse racing to be difficult. This is true even of those patrons who do not consider themselves to be experienced bettors. Thus, this disadvantage has little impact on the loyalty of the core bettor, but does have some implications for the strategies concerned with generating new patrons as will be described below.

(3) Our research showed that a perception exists that other forms of gambling offer a better opportunity for financial gain. This perception is obviously valid to a certain degree due to horse racing's decreasing share of the gambling market. However, as described elsewhere in this report, there is no leverage left in terms of enhancing the opportunity for financial gain on live racing in the short term. There is, however, some room left to decrease the take-out rate on the simulcast and intertrack formats.

This decrease in the take-out rate on the synthetic product should be done overtly. The core group is the most sensitive to financial gain and are constantly evaluating their opportunities to win. This decrease in the take-out rate is possible on the synthetic form of the gambling product as there is less cost associated with presenting the product.

Some product improvements are necessary relative to the penetration of the simulcast product before this strategy is implemented. Patrons have indicated that there is room for improvement in the viewing quality and to a lesser extent, quality of races. For the tracks, this translates into more and larger monitors and improved camera work on the intertrack races.

B. Improve the Product at the Track

Earlier chapters of this report provided indications of where the existing clientele feel that product improvements are necessary. At Marquis Downs, priority items include improving the cleanliness of facilities, and improving the race program. At Queensbury Downs, food and beverage services must be looked at critically to determine where improvements can be made. The aspect of Queensbury Down's product that received the lowest rating was the price of food and beverages. In addition, the sound system needs improvement in the minds of existing patrons. Lastly, the existing clientele is not happy with the fact that they must pay to park when they attend horse racing. This charge could be dropped, lowering the perceived entertainment cost by a greater amount than that which would actually occur. Revenue lost on parking would likely appear in wagers or in food and beverage expenditure.

Monitoring of client satisfaction should be an ongoing process as part of an increased service orientation. The industry must not only be responsive, but must appear to be responsive to customer needs and wants. Obviously, customers, particularly the core group, like to feel that their opinions matter. This increased responsiveness will further help to distinguish horse racing from other forms of gambling.

C. Create "Brand Loyalty

A definite need exists on the part of the horse racing industry to create "brand" loyalty amongst its patrons. Since core patrons consider horse racing to be another "brand" of gambling, the industry must build some commitment or loyalty to its product. A tried and proven method of building brand loyalty in other industries would translate into a "frequent attender" or "frequent bettor" program. The most visible current use of this marketing program is in the airline industry.

Frequent flyer programs do not cause people to fly more often, but when members of these programs do fly, they have a vested interest in using a particular airline. This is due to the fact that through past use of this airline, they have accumulated points toward some type of reward. Similarly, a frequent attender program will not make people gamble more often, but when they do choose to gamble, they will likely choose horse racing over, for example, bingo as there is an extra incentive now associated with attending horse racing.

Based on the number of days attended, or dollars wagered, patrons would be assigned a number of points. The goal is to accumulate a certain number of points in order to exchange them for rewards.

Focus groups should be held with patrons to determine the types of rewards that they would like to receive. Appropriate rewards might include a dinner in the Crown Room for lower accumulations of points, or trips to Las Vegas or the Kentucky Derby in exchange for higher amounts. If the assignment of points is based on dollars wagered, given a take-out rate and a good knowledge of on-track expenses, it would be easy to calculate a point level that justifies the expense associated with awarding a certain prize. The prizes can be in part subsidized through corporate sponsors, who would get a great deal of exposure in return for their portion of an airline ticket, a television, or some other product.

An added benefit of the implementation of a frequent attender/bettor program is the provision of an excuse for monthly communication with patrons. The airlines send a monthly statement detailing the number of points accumulated. The horse racing industry program would provide the same type of update, while at the same time informing patrons of a particular feature race or some particularly exciting scheduled simulcast races.

D. A More Direct Approach to Advertising

A very small percentage of existing patrons receive information about horse racing through traditional media such as newspaper, radio and television. A better approach to keeping the core market informed is direct mail.

Direct mail allows the personal touch necessary in providing your best clients with the recognition that they deserve. Information can be provided on a first come basis rather than through anonymous print or electronic media. As well, the relatively small core group makes this method of communication feasible.

The "Attend and Win" and Ford Festiva promotions have provided an initial name and address list for this activity. Additionally, the frequent attender/bettor program will quickly distinguish the core patron from the occasional attender.

A wide variety of information can be distributed through this medium. Besides updating frequent bettor/attender members on their point status, race schedules, notifications of special events, and summaries of the month's horse racing activity can be delivered to the patrons' doors. This more direct approach to marketing will also be important in working to convert occasional attenders to core patrons, as we will see below.

(2) Convert Occasional Attenders to More Frequent Attenders

The need to fulfill this objective is readily apparent. Not only will this conversion process aid in stopping the erosion of the core patron base, but it will also help to build a larger, more productive core group of support.

The core group is extremely vital to the survival of horse racing. The occasional attender, although contributing positively to the financial health of the industry, is far less "productive" than the core patron. The occasional attender's annual wager is $77.50 compared with the average core patron at $1,331.90.

Obviously, the more people that can be added to this group, the better the financial health of the industry. A prime target are those who are currently experiencing an interest in racing, or the occasional attender.

Many of the same programs aimed at preventing further erosion of the core patron will aid in this conversion process. By conversion, we do not mean that an attender will one day instantly become a core patron. Rather, we are talking about moving individuals further down a continuum of increased attendance and betting activity.

Obviously, some members of the occasional attender group will continue to visit the track, on average, twice per year, regardless of the strategies implemented and incentives offered. However, a portion of this occasional attender segment can be moved along the continuum discussed above.

Once again, immediate product improvements in the already identified areas, and ongoing monitoring of product quality are key to keep the occasional attender coming back. This monitoring process can be undertaken by fielding an in-house survey of patrons once a month, which asks patrons to rate various aspects of the product.

The frequent bettor/attender program will also generate more attendance and wagering activity from the existing occasional attender. Occasional attenders participate in various forms of gambling and attend various sporting events. The frequent bettor/attender program adds an extra incentive to attend horse racing, whether it is considered a form of gambling, or a type of entertainment.

Different tiers of membership in the frequent attender/bettor program could be created to invite additional attendance and wagering. For example, patrons accumulating over a certain amount of points in a year may be granted free admission, complementary food or beverages, or other prerequisites. This provides additional incentive to the occasional attender.

Direct mail can also be used effectively with this group. The "Attend and Win" and Festiva promotions created large mailing lists consisting of names and addresses of numerous non-core patrons. This list can be used to inform occasional attenders of special events or to distribute a racing schedule at the outset of the season. Again, this medium offers the benefit of a personalized approach, and the delivery of something tangible directly to the occasional attender's door. The mailing list can be maintained and expanded through new promotions.

(3) Recruit New Attenders from the Non-Patron Group

The need for the fulfillment of this objective is also obvious. The more newcomers that are generated and that have a positive experience at the track, the more occasional attenders and eventually core patrons that will result.

These relative newcomers can be viewed as feeding the conversion process described earlier. They are located at the opposite end of the attendance/wagering continuum from the core patron.

Significant potential does exist for generation of attendance from the non-patron group in the short-term. Previously it was indicated that 60,059 persons who have attended racing in the last five years would be interested in attending horse racing again. Although this is not a firm commitment from this group to attend in the future, it distinguishes them from the segment of the market who have never attended racing and further, never intend to attend in the future.

Chapter 6 identified that each track has potential to appeal to the non-patron market through different market segments. Queensbury Downs has room to grow in the upper middle/middle class, working class and young singles markets while Marquis should attempt to appeal further to the young singles and working class markets. Both tracks would be served well by appealing to the farming market segment.

Direct mail, again, is a most appropriate method of addressing the non-patron market. Each of the market segments mentioned above can .be identified geographically. It is possible to pinpoint the postal walks (the route to which a mail person delivers each day) that exhibit high concentrations of these market segments. This approach allows for a message or promotional vehicle tailored specifically to the target market being addressed.

The direct mail approach also has the additional advantage over other media of being easily evaluated. For example, if a promotion to the working class were to include a free admission pass, one could evaluate the success of the promotional effort by counting the number of passes redeemed at the end of the week. This feedback allows for the fine tuning of marketing approaches aimed at this non-patron market.

Customized campaigns can be carried out using this method. For example, one campaign could involve sending free admission passes to 1,000 working class households and 1,000 "10% off" coupons for Crown Room meals to upper middle class/middle class households. The effectiveness of this customized campaign can be measured as the target households receive something tangible (i.e. a coupon) at the same time that the message is being communicated.

Farming households present a special situation for direct mail as the postal walks system does not exist in rural areas. Further, it is possible to buy names and addresses from a magazine subscription list such as Country Guide and direct a promotional mailing to a given number of these households.

Regardless of the non-patron target groups, Chapter 6 showed us that the less frequent attender is most interested in the live racing format. The excitement of live racing should be communicated in any message conveyed to these groups. Additionally, over half of non-patrons like horses "very much". This attraction can also be capitalized on in promotional messages.

Appendix

AFFLUENT

This is the wealthiest of all the LIFESTYLES groups. The average household income for the four clusters, A1 to A4, ranges from a high of $193,031 down to $88,651. Many of the individual households have incomes which are well above the 6-figure mark.

It is the smallest of all of the thirteen major LIFESTYLES cluster groups, containing only 1.25% of all the Canadian households. However, what it lacks in size it makes up for in financial clout.

Members of the Affluent Group live in very private and exclusive neighbourhoods, primarily in big cities in areas such as Mont Royal (Montreal) and Forest Hill (Toronto). Their homes are either very expensive single-detached houses or luxury condominiums. They are almost exclusively homeowners and consequently they spend a great deal of money on property taxes, homeowners insurance and mortgage payments. They also spend twice as much money as any other LIFESTYLES group on their vacation homes.

They have attained high levels of education and there is a large concentration of university graduates in this group. Their occupations are high status white collar positions including professionals, upper management and administrators.

The household heads range in age from 35 on up to retirement age. Many of them have large families with teenaged children. Their children often attend private elementary and secondary schools.

Since this group is so well-off financially, it is only natural that their expenditures in nearly all commodities, outweigh that of the other LIFESTYLES groups. In some instances however, their expenditures are very significantly higher than all other groups. For example, the Affluent spend over five times the amount of any other group on domestic services such as housekeepers, and occasional cleaners. As well, their spending on horticultural services such as landscaping and gardening and on snow removal far outweighs the other groups.

There are four individual LIFESTYLES clusters included in the Affluent sector. These clusters are differentiated primarily by income level and age of the household maintainer.

UPSCALE

Upscale households make up nearly 7% of the Canadian market. These are financially comfortable households with incomes well above the National average.

The household maintainers are typically middle-aged, white collar workers, with school-aged children. Many of them are in management or professional positions and they are generally very well educated, often having a university degree.

Upscale neighbourhoods are made up of single detached houses, whose market value is well above average. They are generally owner-occupied homes.

Upscale household maintainers, in general, are slightly younger than those in the Affluent group. It is likely that some of them will move into one of the more Affluent classifications over the next few years.

The disposable income of this group is second only to the Affluent classes. However, their average dollar expenditures on do-it-yourself items is even higher than the Affluent class. For example, the Upscale Group spends more money per household than any other LIFESTYLES group on home and workshop tools, dress materials and sewing notions and on handicraft kits and materials. Their spending in the areas of horticultural services and snow removal, daycare and memberships at recreational facilities, although not as high as the Affluent LIFESTYLES, is still quite significant.

There are four sub-groups of Upscale LIFESTYLES. They are differentiated primarily by income. The average household incomes range from the highest in U1 ($73,898) downwards to U4 ($63,895).

MIDDLE AND UPPER-MIDDLE CLASS

This broad classification includes households whose income lies just above the National average. These households are composed of traditional husband and wife families. They often have two or more children, and live in a suburban, single detached house.

The majority of the adults in these neighbourhoods have a high school education, although some of them have continued on to college. They primarily work in white collar positions, often in sales or general office jobs, although a few of them have attained management positions.

Due to their socio-economic status, it is only natural that the Affluent and the Upscale cluster groups outspend the Middle Class in nearly every commodity and service. It is interesting though to note that the M's expenditures as a percent of incomes is higher than any of the LIFESTYLES groups in the areas of:

- child care and children's clothing
- athletic equipment and toys
- government security and general insurance

About 16% of all the neighbourhoods in Canada have been classified as belonging to one of the M LIFESTYLES. This is the largest of all the LIFESTYLES groupings and therefore their spending power is very significant.

Each of the seven segments are differentiated primarily by their stage in the life cycle, their choice of housing and only marginally by income. Overall, the average income of the seven groups varies from $42,796 to $53,549 annually.

WORKING CLASS

The Working Class is a very large segment of Canadian society, containing 15% of the population. It is second in size only to the Middle Class segments. Their annual earnings are only slightly below the National average, covering a narrow range from $33,525 to $38,980.

They generally work in blue collar jobs or have lower status white collar positions. They often work processing materials, operating machines, servicing products or in some form of clerical function. The unemployment rate for the Working Class is slightly higher than the National average.

The homes in Working Class neighbourhoods are often rented multiple dwellings (townhouses and semi's) with a smattering of lower valued single detached houses. Nearly all of these clusters include families with children.

The average household maintainer is middle-aged although there is a slight skew towards younger households (less than 35 years old).

This group is very automobile-oriented. The dollar amount that they spend as a percent of their total income on private transportation and on recreational vehicles exceeds that of all the other LIFESTYLES groups. Considering their income, they spend a great deal on the purchase price of their car or truck. Once purchased, they also put a lot of money into the operation and maintenance of their vehicle. In terms of recreation, they tend to be big buyers of boats, motorcycles and trailers as well as being supporters of live sporting events such as hockey or baseball games.

Of all the LIFESTYLES groups, this is the most similar to the statistical "average" Canadian neighbourhoods in terms of both demographics and expenditure behaviour. The Working Class is further sub-divided into 6 unique clusters. The primary distinctions between these large sub-categories are based on the age of the maintainer and the language preference in the household.

LOWER INCOME

The most distinguishing characteristic of this major group of LIFESTYLES is their relatively low average annual income. It ranges from $16,499 per year for the L5's to $34,123 for the L1's; a level which is well below the National average. Compared to the other LIFESTYLES groups, a high percentage of their income comes from government transfer payments, such as family allowances, unemployment insurance and other social assistance programs. Although most of them work in either a low status white collar or blue collar position, this group has a higher than average unemployment rate.

In most cases, the adults have low levels of education. In fact, few of them have progressed beyond the high school level and almost one third have less than a Grade 9 education.

The households are usually small in size, containing only one or two people. Most often, they live in rental dwellings, either in high rise buildings or in low rise multiple housing. The average house value in these neighbourhoods is well below the norm.

The household heads are generally young in age - often less than 35 or even 25 years old. However, some Lower class clusters also contain older households whose maintainers are over 50. They tend to live in the less affluent regions of Canada and in the older and poorer sections of the major cities.

Although this group has a low disposable income, they do exhibit some very interesting and distinctive spending habits. For example, this group spends more money on average than any other LIFESTYLES cluster on baseball tickets, lottery tickets and car accessories such as radios. They also tend to spend more money on cigarettes and on beer in restaurants and bars than does the average Canadian.

There are five LIFESTYLES segments within the Lower Class category. they vary mostly by type of dwelling and family status.

YOUNG SINGLES

The households which belong to a Singles neighbourhood, generally include individuals under the age of 35 who are living on their own. Over 55% of the households are one person households and 31% of them contain two people. The proportion of married couples in this group is far below average.

This group is highly mobile. They are renters who, for the most part, live in either low-rise or high-rise multiple dwellings. 75% of this population has moved at least once during the past 5 years and over 60% have lived in their current residence for 2 years or less. They are the most likely of all the LIFESTYLES groups to relocate from one Province or another.

Financially, there are vast differences amongst the individual Singles clusters. As a group, their average household income is $28,699. their household income is below the National average due to the fact that so many of the households contain only one person. On a per adult basis however, their personal incomes are slightly higher than the norm.

Most of the adults have a post-secondary education - 20% have at least one University degree and 36% have either college or a partial University education. Almost all of them work in some form of white collar occupation (including senior level positions).

This group contains the highest concentration of working women of all the cluster groups. 70% of the women in this cluster have joined the labour force and their personal income is 30% higher than the National average for females.

Because 90% of the households are rental dwellings, it is natural that this group of LIFESTYLES spends the most of any on rental payments, parking permits and on coin-operated laundry facilities. Car ownership is actually quite low for this group, since they generally live in very central areas of the city where public transit is relatively convenient to use. For intercity travel, these clusters tend to use the highway buses more than any other LIFESTYLES.

The five sub-categories vary on the socio-economic scale from the up-and-coming Yuppies to the new blue collar entrants to the labour force. Since many singles live in lower rent areas, they tend to share these neighbourhoods with some older retired people.

C

YOUNG COUPLES

The Young Couples LIFESTYLES, in general, include those households where the residents are younger than 35 years of age. They are predominantly recently married couples or two people sharing accommodations, although there is a strong representation of single people throughout these groups. Overall though, these households contain few children, other than the occasional small child. Only 26% of the households in this group have three or more occupants, compared to the National average of 50%.

Over 80% of them live in rental accommodations, nearly always in a high-rise building, except in Quebec where low-rise multiple dwellings are more the norm. Of the few couples who have purchased a home, many of them own single or semi-detached houses in the "starter" home category. They are a very mobile group of people, with over 70% of them having moved within the last five years.

In most cases, both members of the household are employed, and they predominantly work as white collar workers. Most of them have lower level positions, often in a clerical or general office capacity. Their overall average household income if $32,708. Many of them are educated beyond the high school level, although community colleges are more popular with them than universities.

Many of their expenditure patterns mirror that of the Young Singles LIFESTYLES, simply because of the similarity in their choice of accommodations. For example, Young Couples expenditures on rent, tenant's insurance, coin-operated laundry facilities and parking are substantially higher than most of the households in Canada, but are not quite as dramatic as the spending in these categories by the Young Singles.

Young Couples tend to spend more money than the average Canadian on the rental of video equipment and tapes, and on video games in arcades. When on vacation, they tend to go on tour packages without meal options and stay in hotels rather than motels.

This group is sub-divided into three separate LIFESTYLES categories. Although they all belong to the same age group and are at the same stage in terms of family formation, their choice of dwellings and level of income vary from segment to segment.

N

EMPTY NESTERS

Empty Nester households, as the name suggests, are predominantly made up of people over the age of 55 whose children have grown up and have gone off on their own. The few children still living at home are now young adults over 18 years of age. In most cases, empty nesters are older, married couples; however, one or two of the clusters also contain single person households as well. Especially in those segments which now live in rental units, there are also small pockets of young household maintainers between the ages of 25 and 35.

The incomes and education levels vary greatly between the five individual clusters. The average household income ranges from $34,344 to $56,576 and as a group, their average annual income is approximately $44,142 per household.

They live in a mixture of different types of homes, the most popular being single- detached houses. The proportion of home owners is similar to the National average with most homes valued at slightly above the average market value.

Although some of the Empty Nesters are still assisting their children financially, especially in terms of their post-secondary education, these parents are now able to allocate more of their disposable income towards satisfying their own needs and desires. For example, spending by Empty Nester households on live stage performances, such as concerts and theater plays is significantly higher than the average Canadian.

For those remaining in the family home, many of them take this opportunity to put money into general household improvements and repairs. For those others who have moved into smaller and more worry-free types of accommodations, more money is being spent on movers and storage facilities and on furnishings which suit their new surroundings, i;e; area rugs, wall units and sofa beds. Conversely, fewer purchases of lawn-mowers and snow-blowers are being made.

OLD AND RETIRED

The predominant characteristic of the Old and Retired LIFESTYLES clusters is the high concentration of people over the age of 60.

As would be expected, most of this mature market consists of older couples or widowed individuals and there are very few children still living at home. Because of the high incidence of widows and widowers in these clusters, many of the households are headed by women and more than half of the households contain only one person.

The average household incomes vary greatly for each of the individual clusters, ranging from a low of $15,410 upwards to $38,939 annually. Correspondingly, education levels also differ from cluster to cluster, although the tendency throughout the group is towards low education levels. Education, in general, did not receive the same priority when these people were young, as it does today.

Most of this group has recently moved into high-rise apartments in order to enjoy maintenance-free accommodations. A few of these residences are retirement homes or homes for the aged. They spend a high percent of their income on rent, condominium charges and on premiums for tenant's insurance.

In general however, Old and Retired persons are not big consumers of most products and services. Their total household expenditures are 30% less than the average Canadian household. In fact, their needs are unique and some of these elderly people require special care. For instance, many of them have their meals provided for them as boarders, while others require other domestic or custodial services and a few of them must have around-the-clock hospital care.

ETHNIC

Ethnic neighbourhoods have been characterized as such because they contain a very high concentration of persons whose mother tongue is neither of Canada's two official languages. These are the Chinatowns and other highly concentrated ethnic communities in Canada. In many cases, these people are immigrants to Canada or are second generation Canadians. They often speak the language of their native country, such as Italian, German, Ukrainian or Chinese.

For over 30% of the adults, their formal education does not extend beyond the Grade 9 level. Education, however, is important to Ethnic households. They spend a great deal of money on educational materials and textbooks, especially at the post-secondary level, in order to upgrade themselves and their children.

All of the Ethnic LIFESTYLES groups contain a high concentration of blue collar workers. Their average annual incomes vary widely from group to group and average at $41,610 per household. In most instances, both the husband and the wife are employed.

The members of this cluster still have family and friends living in their homeland. Not surprisingly, they send more money to persons living outside of Canada than any other LIFESTYLES groups.

Ethnic families also spend a great deal on Government-run lotteries and on low-cost leisure activities such as bowling. Car ownership is lower for this group than the National average, and therefore they tend to rely more heavily on the public transit systems for transportation. They spend more per household on subways, streetcars and city buses than any other group of LIFESTYLES.

The four LIFESTYLES types in this group vary in terms of both income and their stage in the life cycle.

X

UPSCALE AND MIDDLE CLASS

This group makes up a little over one third of the population of Canada's small towns and rural areas. It includes the households with the highest standing in socio-economic terms, namely the Affluent, Upscale and Middle Class LIFESTYLES living in a more rural setting than the A, U and M classes.

The eight X LIFESTYLES groups have incomes which range from $31,647 to $68,811 per year, with an average of $41,186 per household. These incomes are all above average for the small urban and rural areas of Canada and cannot be directly compared to the incomes earned in the larger metropolitan centers.

This group generally has a high school or community college education and most of them work in white collar positions. However, a notable proportion of them work in blue collar positions, such as processing, construction or transportation, as well as in primary industries like fishing, mining or logging.

The households contain large families with young children. There is often between four and seven people per household. Although the adults' ages cover a wide range, many of them are younger than 40. The children range in age from newborns to pre-teens.

They live in an owned home, often a single detached house which was likely built in the 1970's. These houses would seem inexpensive in big city terms, however when compared to the average price for a rural or semi-rural home these houses are worth 40% more than the market average.

X households are primarily found in British Columbia, Alberta and South Western Ontario. A smaller group of them is found in resource-based communities in the northern parts of Ontario and Quebec.

They are nature lovers who spend a great deal on recreational items which help them to enjoy the outdoors. Camping equipment is on the top of their list, as are fishing supplies and other outdoor recreational and entertainment items. They also tend to purchase recreational vehicles with more regularity than the other LIFESTYLES groups. Boats and camper trailers are particularly popular.

There are eight LIFESTYLES groups within the X's ranging in socio-economic status from high (X1) to average (X8).

Y

WORKING AND LOWER CLASS

The Working and Lower economic Classes make up more than half of the households of the villages and towns that dot Canada's countryside. The households range from the very poor - Native Indians living on reservations - through to the Working Class families earning close to the national average in terms of income.

These are large households, often with five or more members. The children fall into the wide age range from infancy to adulthood, and there is also a significant presence of people over 55 years of age.

The education level for the group as a whole, is much lower than average Canadian. One third of them have less than a high school education. The unemployment rate is significantly higher for this group than for any of the other LIFESTYLES groups. Their income is often supported by the Government, especially in the form of unemployment insurance, old age security and family allowance benefits. The average household income is $29,094 annually and is mainly derived from employment in blue collar industries.

The participation rate of women in the work force is very low. In fact, this group of households has the lowest rate of all the 13 LIFESTYLES groups. The clusters are very male maintainer dominant.

They tend to live in owned, single detached houses with an average value well below the average price for homes outside of a major metropolitan area. They have lived there for over 10 years. This category of LIFESTYLES tends to be slightly more prominent in the eastern provinces than in the west.

Since the homes are generally older onces built prior to 1945, these householders tend to spend more than the average Canadian on maintenance and materials used for repairs, especially for the plumbing and heating systems. They are also likely to be do-it-yourselfers and they buy home workshop tools regularly.

There are 9 LIFESTYLES clusters in the Y group ranked in terms of socio-economic status, from average to well below average.

Z

FARMING

This group of LIFESTYLES includes households whose primary source of income is from agriculture. Depending on the individual group, farmers form between 40 and 70 percent of the labour force. Average household income varies greatly amongst the five individual types, ranging from a high of $60,634 earned by the group of very prosperous, self-employed farmers, to a low of $25,820 earned by the lowest income group of farmers and farm hands.

The households consist mostly of families with children. The parents are usually middle aged and older and often have large families. In many cases, there are three or more children per household, ranging in age from under five years old up into their middle teens.

They usually live in a single detached "farm house" that was built in the years before WW II. This has been the family home for longer than a decade, and in some cases, for generations.

The two major areas for Z clusters include Southern Ontario and the Prairie Provinces. Ontario and Saskatchewan alone contain over 50% of the Farming LIFESTYLES households in Canada.

Their major purchases reflect the type of life they lead. They are heavy users of seeds and herbicides. They tend to buy home and workshop tools and lawn and snow removal equipment. Because of the nature of their work and the type of equipment they require to do their job, they are usually heavily insured. Their premiums for the coverage of their many vehicles and for accident and personal injury insurance are especially high.

Their food expenditures both in and out of the home, on the other hand, are marginally less than the average Canadian's for two reasons. In many cases, they are able to use farm produce for family consumption and secondly, their opportunities for dining out are very limited by their lack of proximity to towns and villages.

While no data on location or type of farming was used in the clustering procedure, some very definite spatial patterns emerged that reflect the type and profitability of the farming areas across Canada. Also, unlike all other cluster types, the neighbourhoods in the Z group are actually large geographical areas with low population density.